

Financial Forecast & Economic Outlook

Fiscal Years 2018-2022



April 19, 2017

City of Austin, TX



Purpose

Today's Agenda

- ✓ Economic Outlook
- ✓ General Fund Forecast
 - Base Revenue and Expenditure Projections
 - Unfunded Council Resolutions/Initiatives
 - 5-year Forecast
 - Potential Legislative Risks
- ✓ Capital Improvements Program
- ✓ Enterprise Funds Forecast
 - Select Program Highlights
 - Rate Projections
- ✓ Next Steps – Policy Topics

Budget Timeline

Policy Input & Forecasting

January -
early April

- Strategic Plan Retreats (1/11, 1/12, 4/5)**
- Department Reviews (2/1, 2/8, 2/15, 3/1, 3/22, 4/12)**
- Citizen Satisfaction Survey (2/14)**

mid-April
- May

- Forecast Presentation (4/19)**
- Council Policy Work Session (4/26, 5/3)**

Budget Development

June

- Budget Priority Survey
- Public Engagement Activities
- Staff recommended Homestead Exemption deadline (June 1)
- State Homestead Exemption deadline (June 30)

July

- Anticipated Tax Roll Certification (7/25)

Council Deliberation & Adoption

August

- Public Engagement Report (8/1)
- Presentation of Proposed Budget (8/2)**
- Department Budget Work Sessions (8/9, 8/16, 8/23)**
- Public Hearings on Budget, Tax Rate and Utility Rates (8/17, 8/31)**
- Pre-budget adoption work session (8/30)**

September

- Budget Readings (September 11-13)**





Economic Outlook

Jon Hockenyos

2017 Economic & Sales Tax Forecast



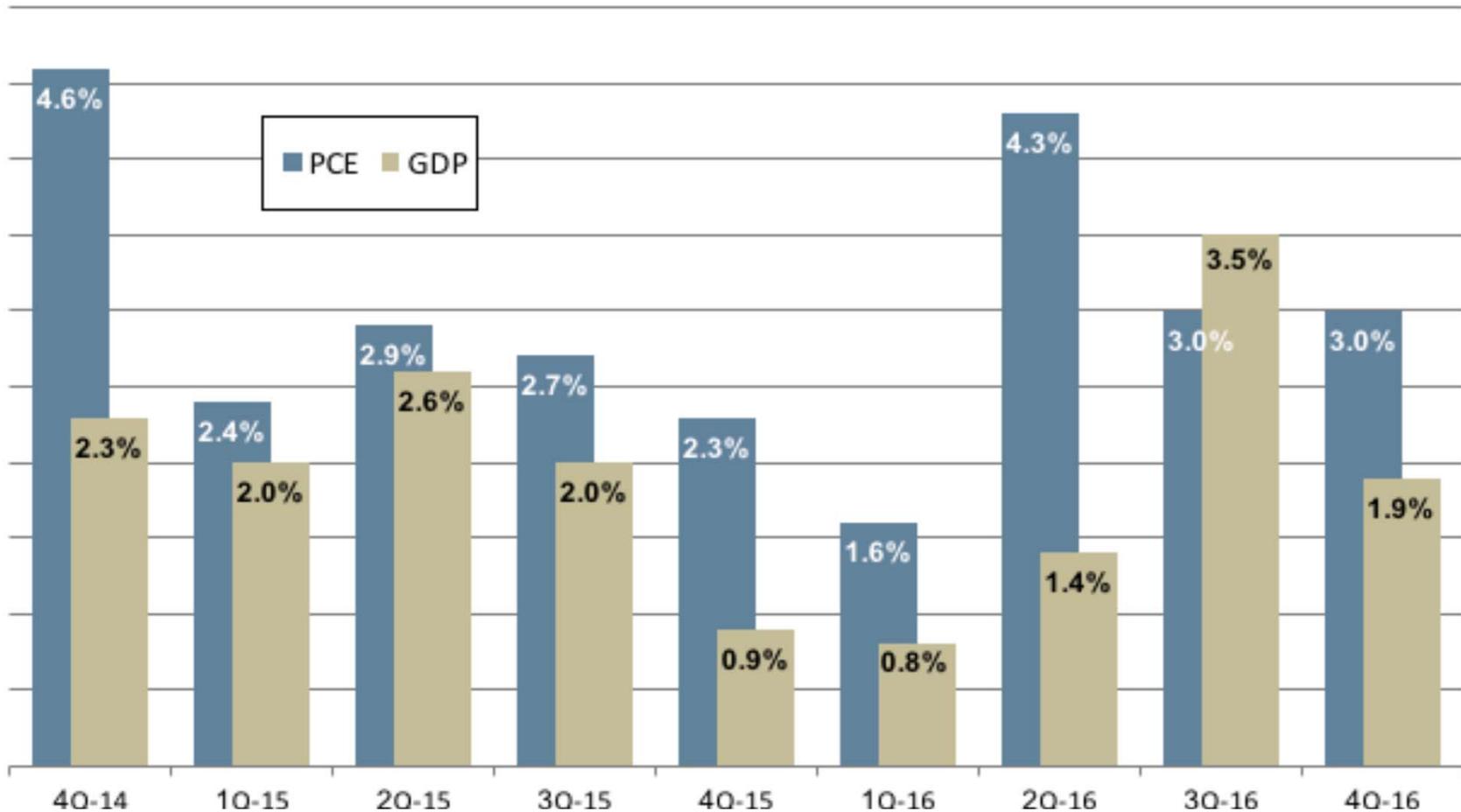
Macroeconomy

Overview

- U.S. economy continues to modestly expand, as consumer spending/retail sales and housing activity increased at a subdued pace across most of the nation
- On the production side, there is also fairly slow growth in commercial real estate. Manufacturing activity accelerated to some degree. Lending activity is steady to slightly improved
- Based on surveys, businesses and consumers are generally optimistic about the near-term outlook but uncertainty remains about path toward tax cuts etc.
- Fed to move toward tightening over the coming months, as economic growth considered to be strong enough to warrant action
- Overall inflation is a reflection of energy - other elements stable. Aggregate figure should move toward Fed 2% target in the near future

Macroeconomy

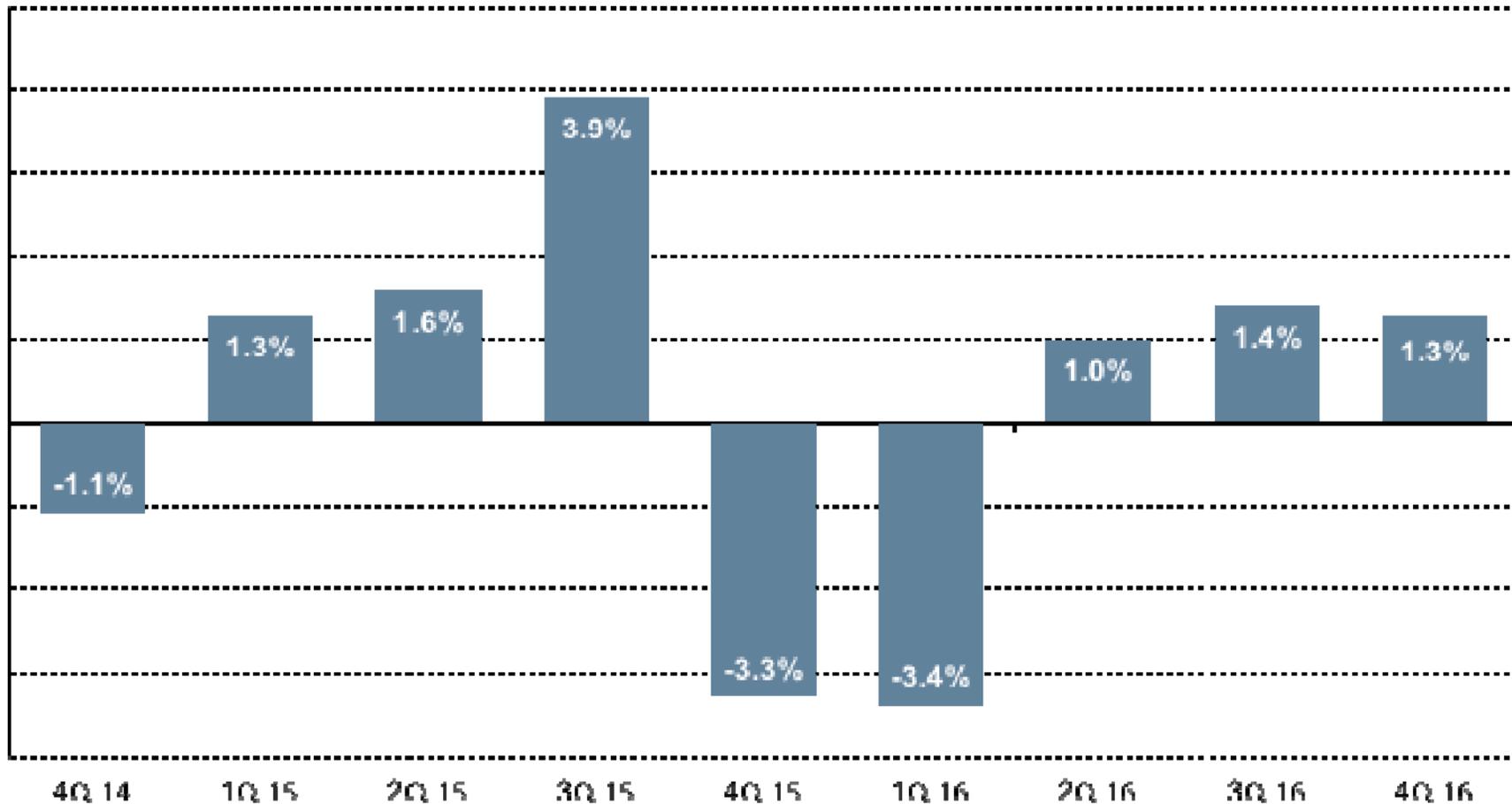
GDP and PCE Growth



Source: Bureau of Economic Analysis, TXP

Macroeconomy

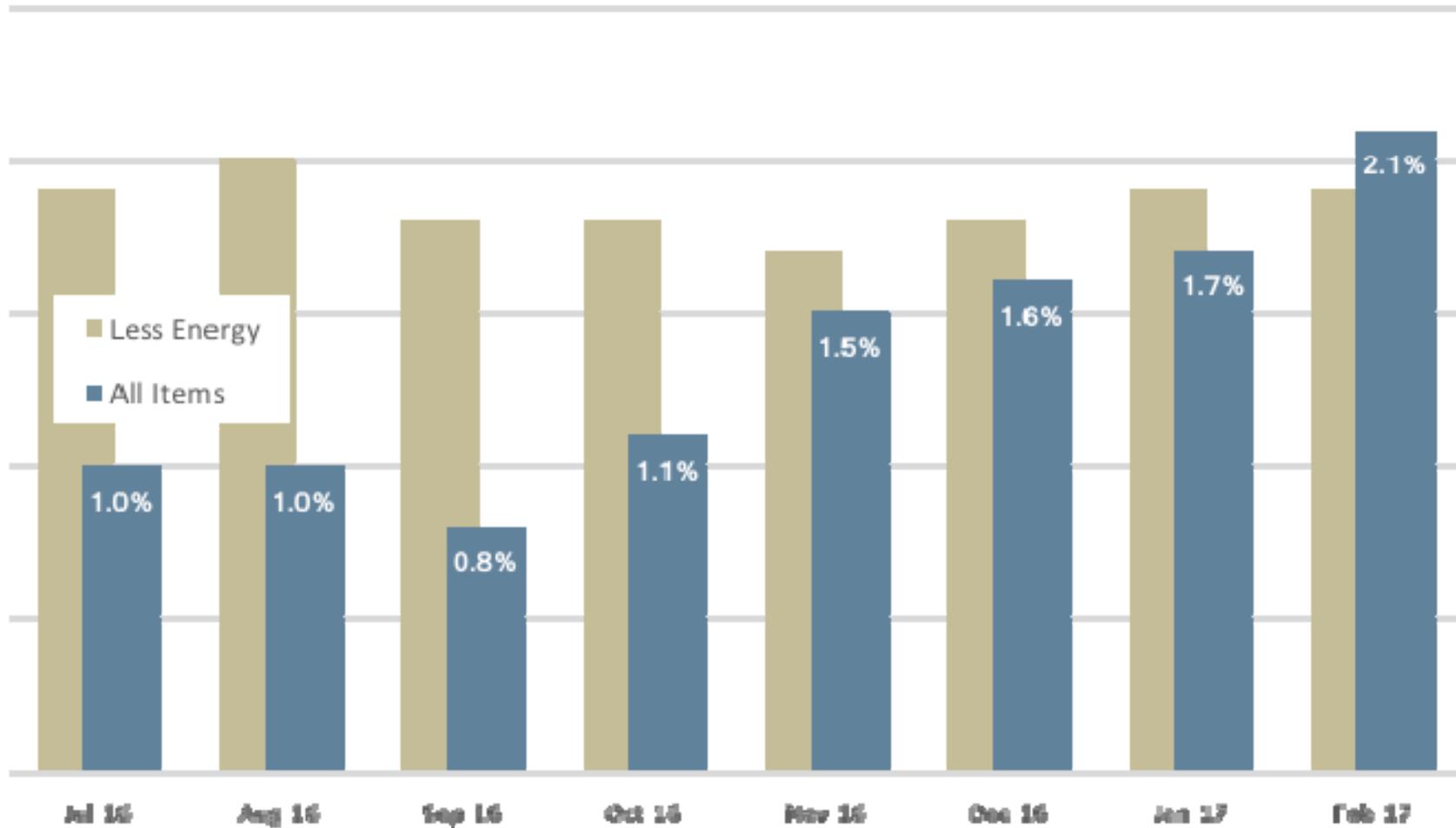
Nonresidential Investment



Source: Bureau of Economic Analysis, TXP

Macroeconomy

Consumer Price Index (12-Month Change)



Source: BLS, TXP

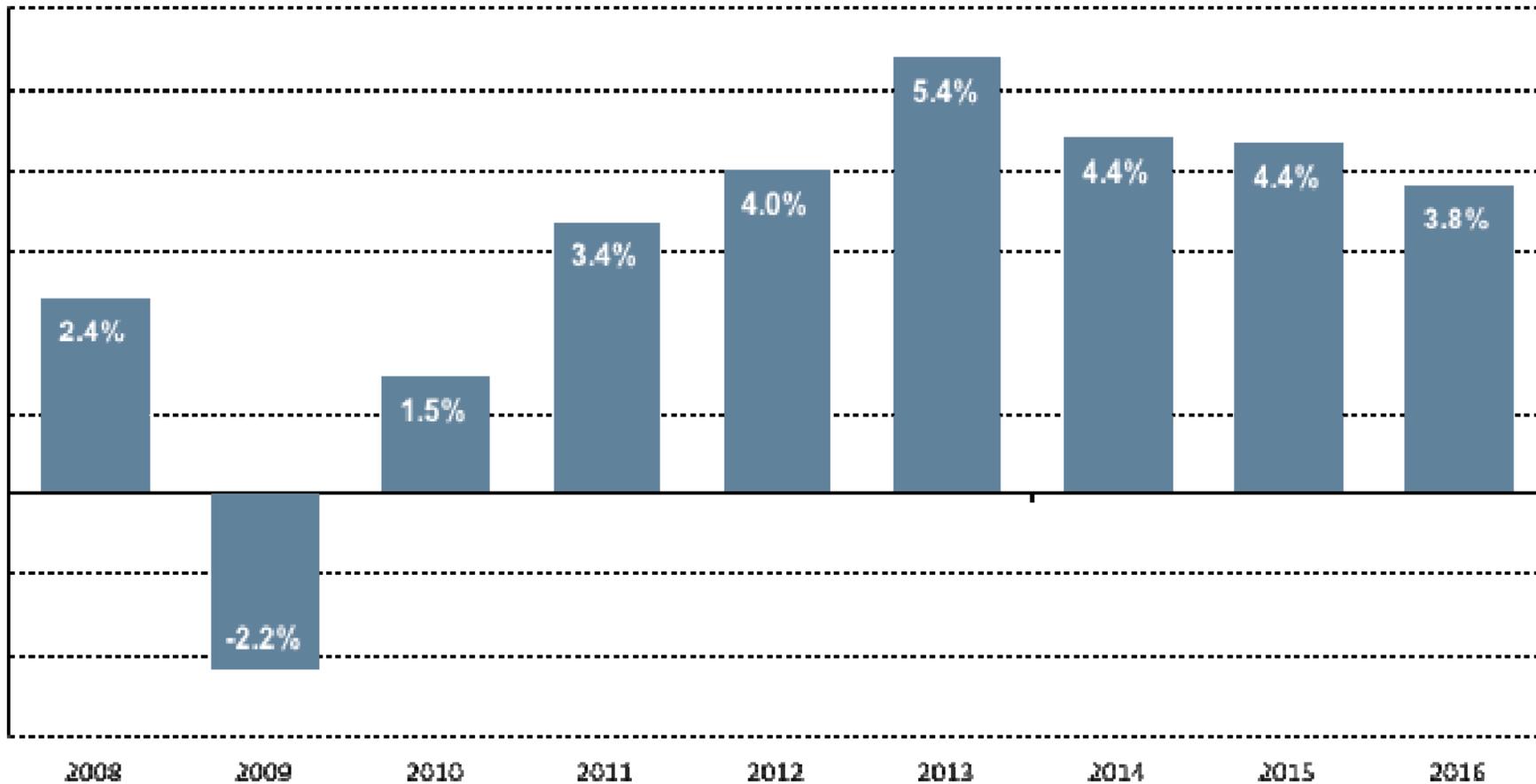
Austin

Overview

- Growth in the Austin metro area (MSA) abated to some degree during 2016, as the combination of slower national growth, rising costs, and the law of large numbers combined to curtail the rate of expansion
- Job growth (as measured by the employer survey) decelerated during 2016, with 36,700 net new jobs added, a pace of 3.8%. The private sector now accounts for the vast majority of the above, with a gain of about 34,000 net new jobs. Most of this growth is found in the commercial sectors of the economy
- Consumer spending has returned to long-term trend levels. Patent activity reflects continued development and commercialization of local intellectual property – hope that recent dip in venture capital is temporary
- While tourism remains a strong element of the local economy, growth rates have slowed
- Housing markets remain tight, reflecting both strong demand and diminishing excess supply

Austin MSA

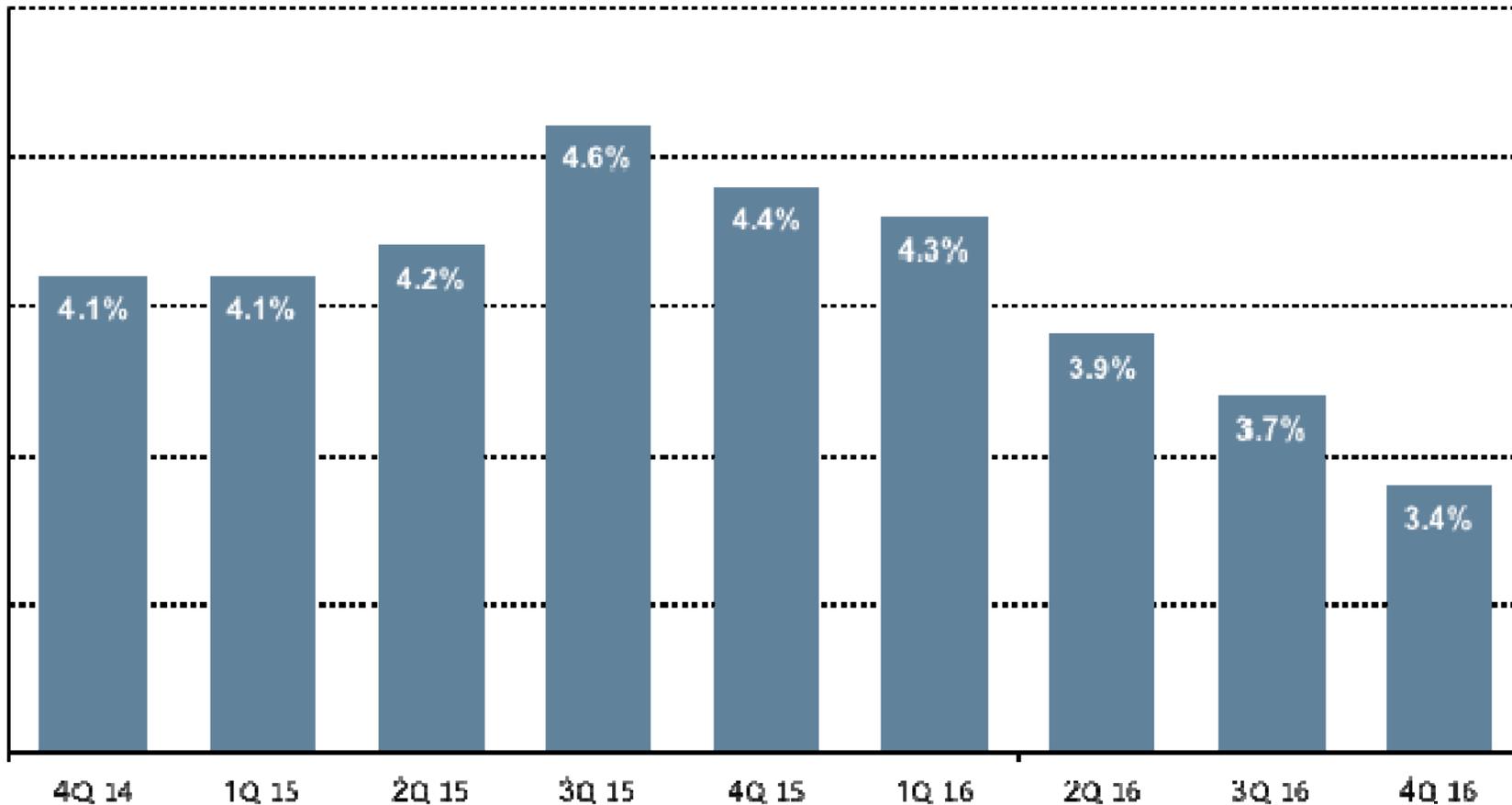
Job Growth by Place of Employment



Source: Bureau of Labor Statistics (Texas Workforce Commission), TXP

Austin MSA

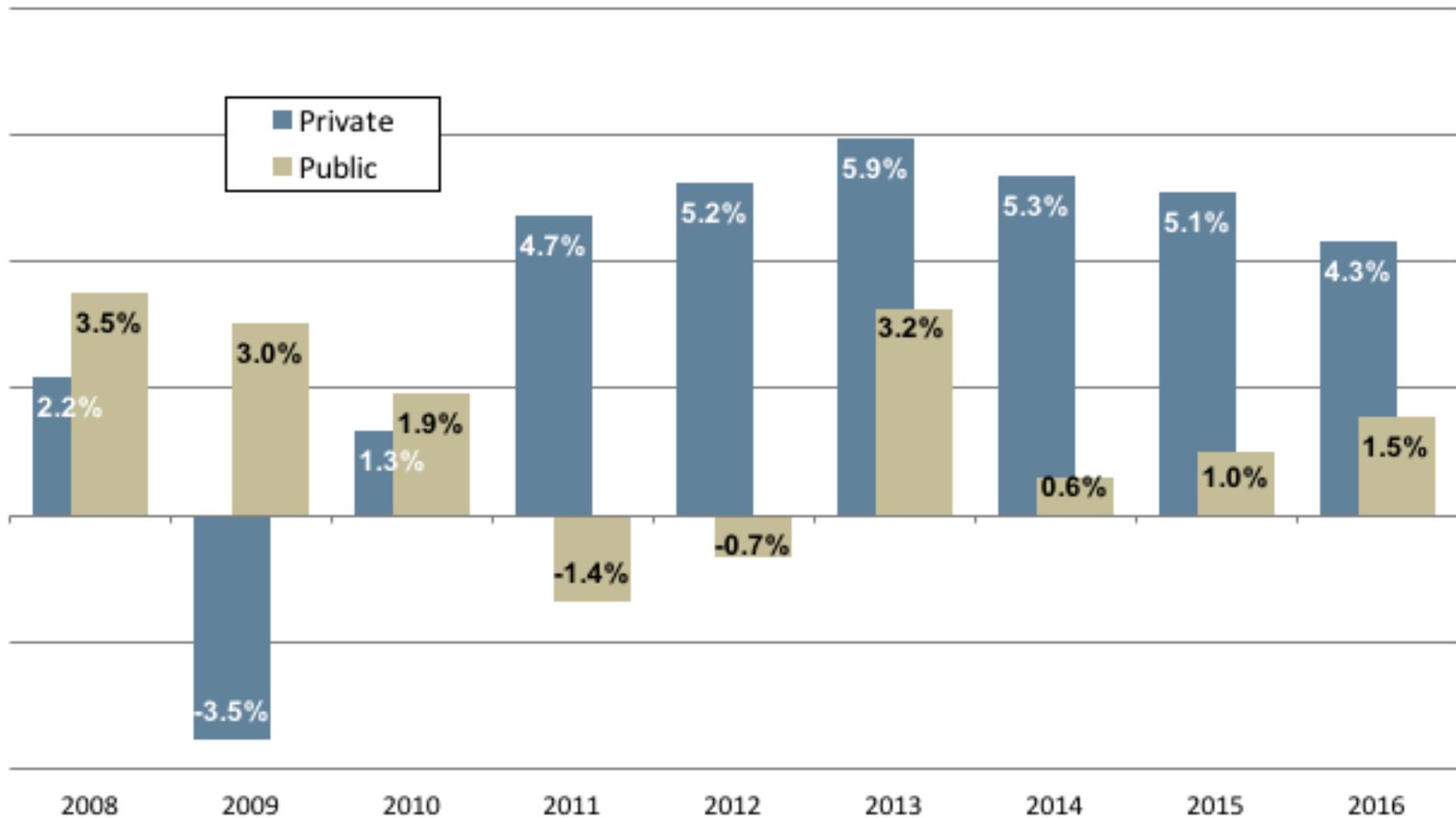
Job Growth by Place of Employment - Recent



Source: Bureau of Labor Statistics (Texas Workforce Commission), TXP

Austin MSA

Private vs. Public Job Growth



Source: TXP

Austin MSA

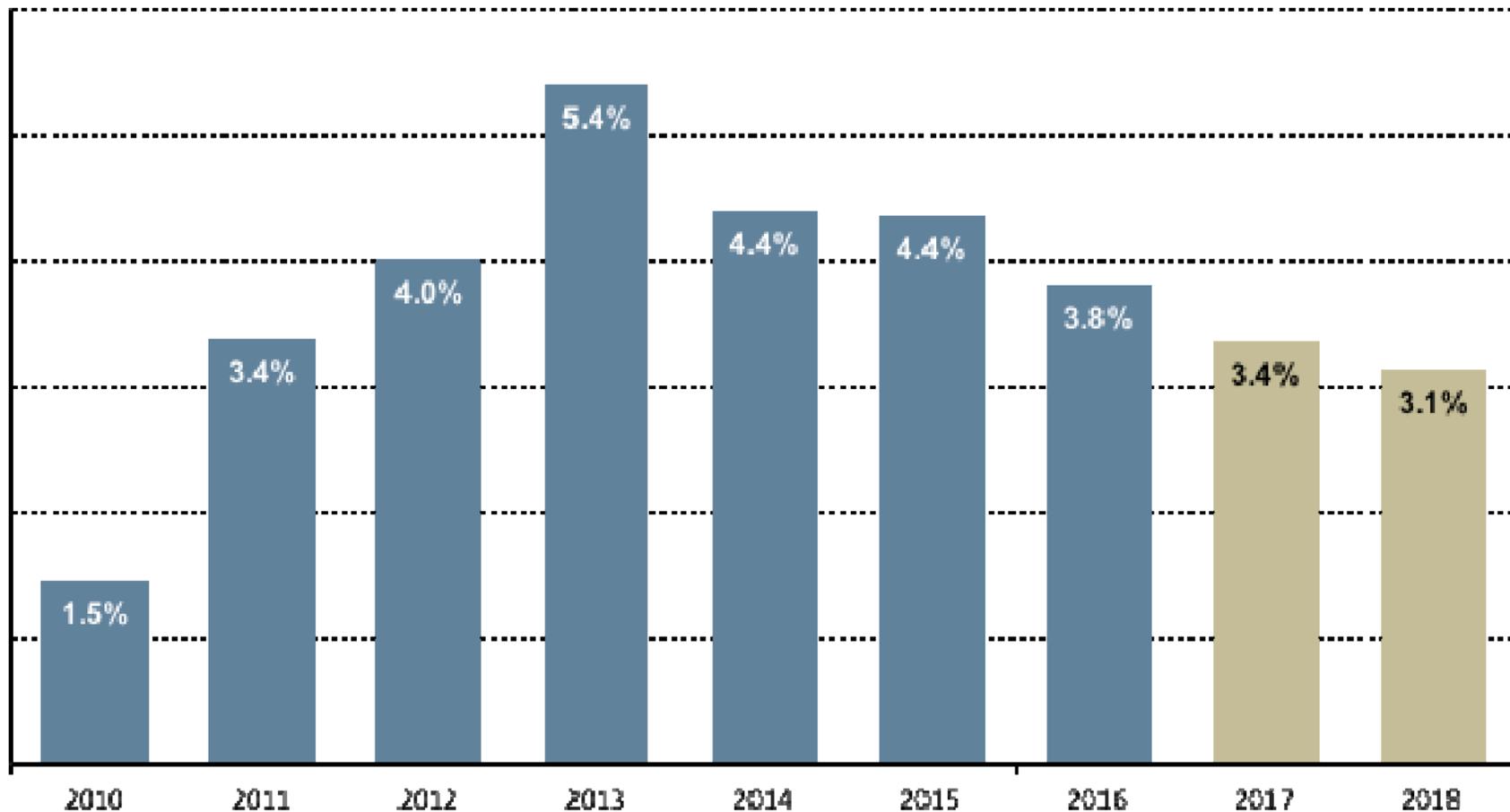
Austin MSA Employment by Sector

	Employment (000s)			Change (Actual)		Change (%)	
	2011	2015	2016	'11-'16	'15-'16	'11-'16	'15-'16
Natural Resources/Construction	40.0	55.3	59.0	19.0	3.7	47.5%	6.7%
Manufacturing	55.1	55.6	55.7	0.6	0.1	1.1%	0.2%
Trade, Transportation, & Utilities	139.3	164.8	171.0	31.7	6.2	22.8%	3.8%
Information	21.0	27.1	28.4	7.4	1.3	35.2%	4.8%
Financial Activities	44.8	54.0	56.7	11.9	2.7	26.6%	5.0%
Professional & Business Services	121.4	161.0	169.2	47.8	8.2	39.4%	5.1%
Educational & Health Services	92.9	111.9	116.4	23.5	4.5	25.3%	4.0%
Leisure & Hospitality	90.2	115.5	121.9	31.7	6.4	35.1%	5.5%
Other Services	33.8	42.7	43.6	9.8	0.9	29.0%	2.1%
Total Private	638.4	787.9	821.9	183.5	34.0	28.7%	4.3%
Government	167.9	175.2	177.9	10.0	2.7	6.0%	1.5%
Total Employment	806.3	963.1	999.8	193.5	36.7	24.0%	3.8%

Source: BLS; TXP

Austin MSA

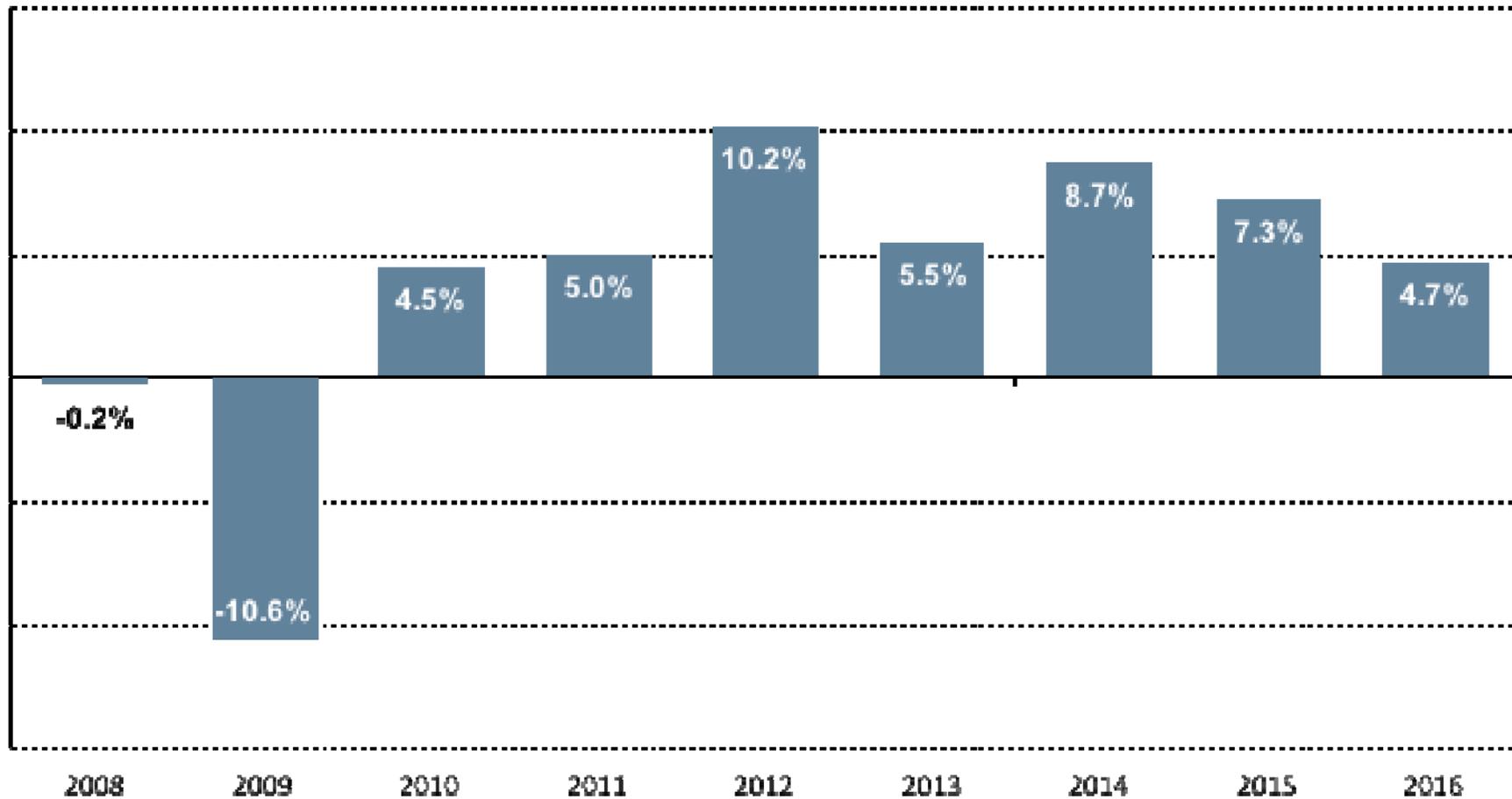
Job Growth by Place of Employment – History & Forecast



Source: Bureau of Labor Statistics (Texas Workforce Commission), TXP

City of Austin

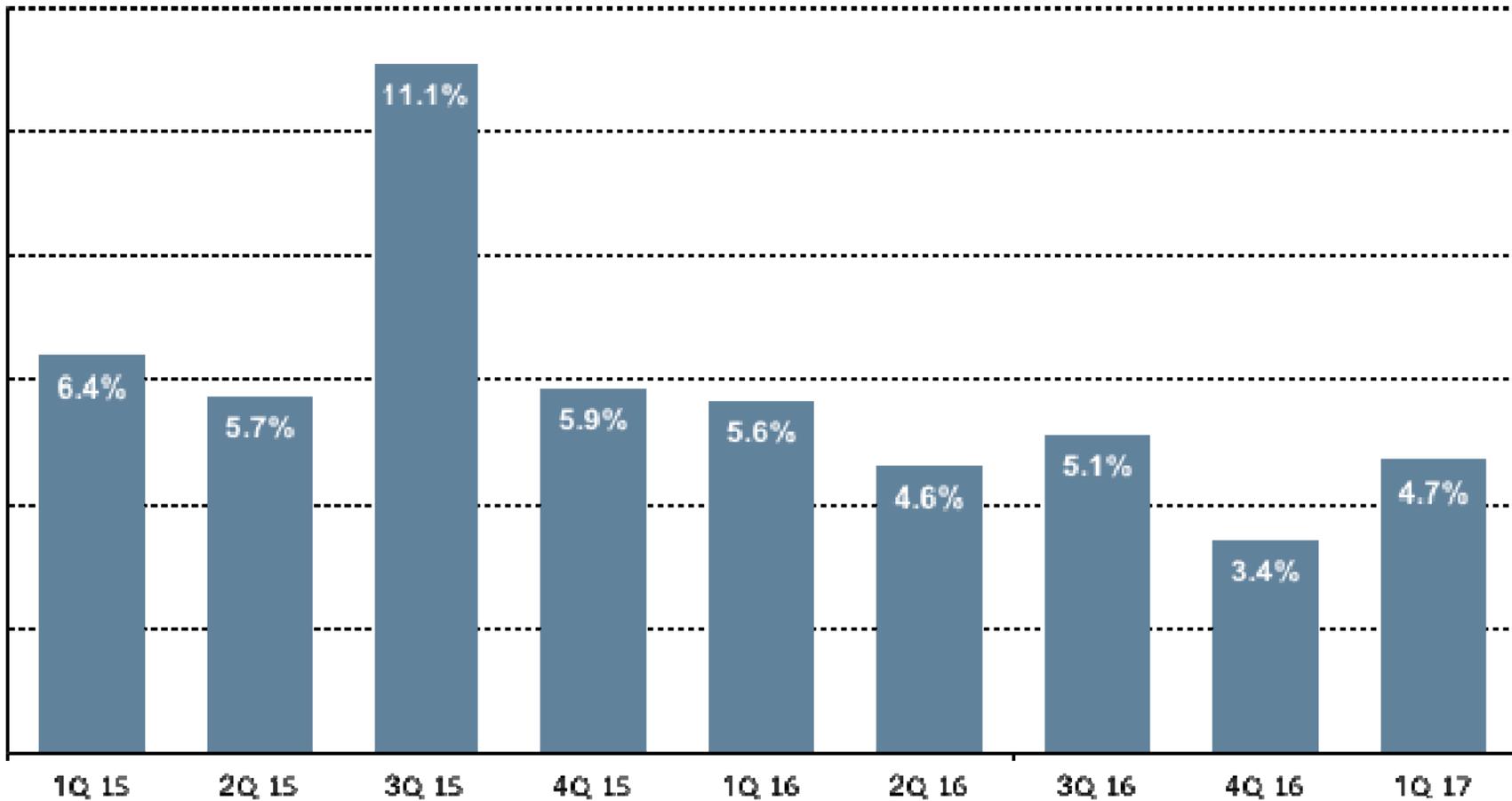
Sales Tax Growth – Calendar Year



Source: Texas Comptroller, TXP

City of Austin

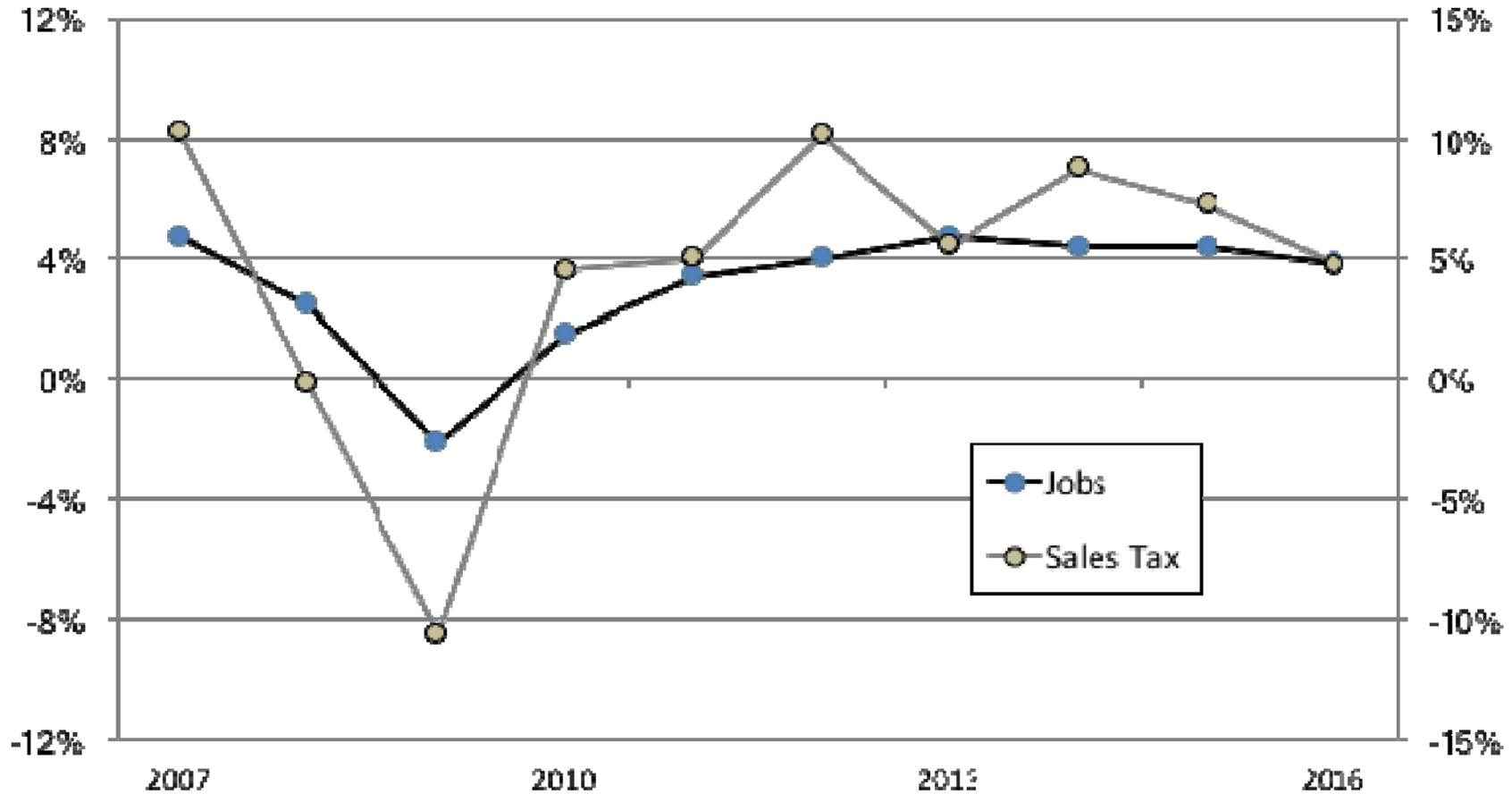
Sales Tax Growth – Recent "Current Period"



Source: Texas Comptroller, TXP

City of Austin

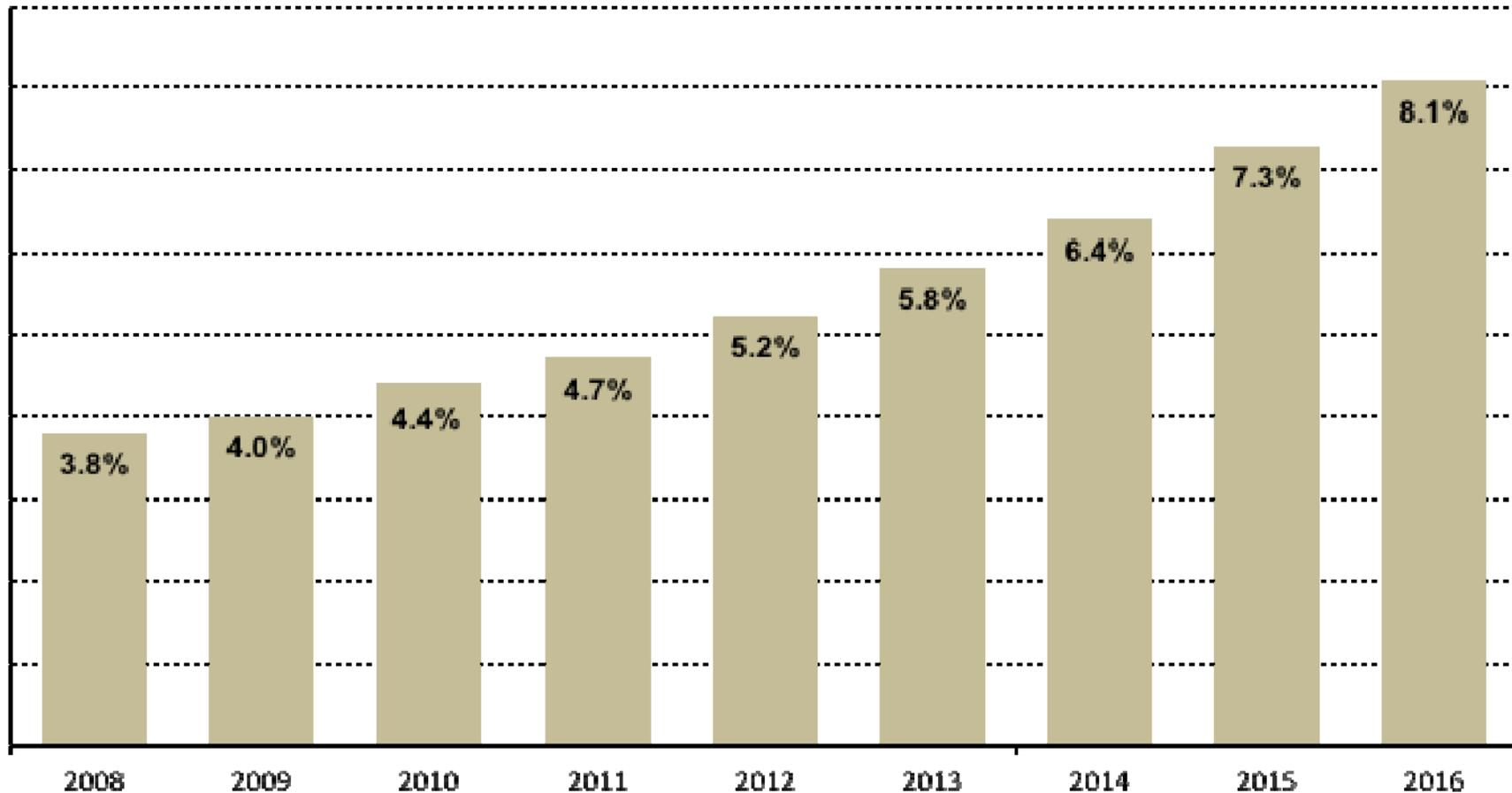
Growth in Total Non-Ag Jobs vs. Sales Tax



Source: TXP

City of Austin

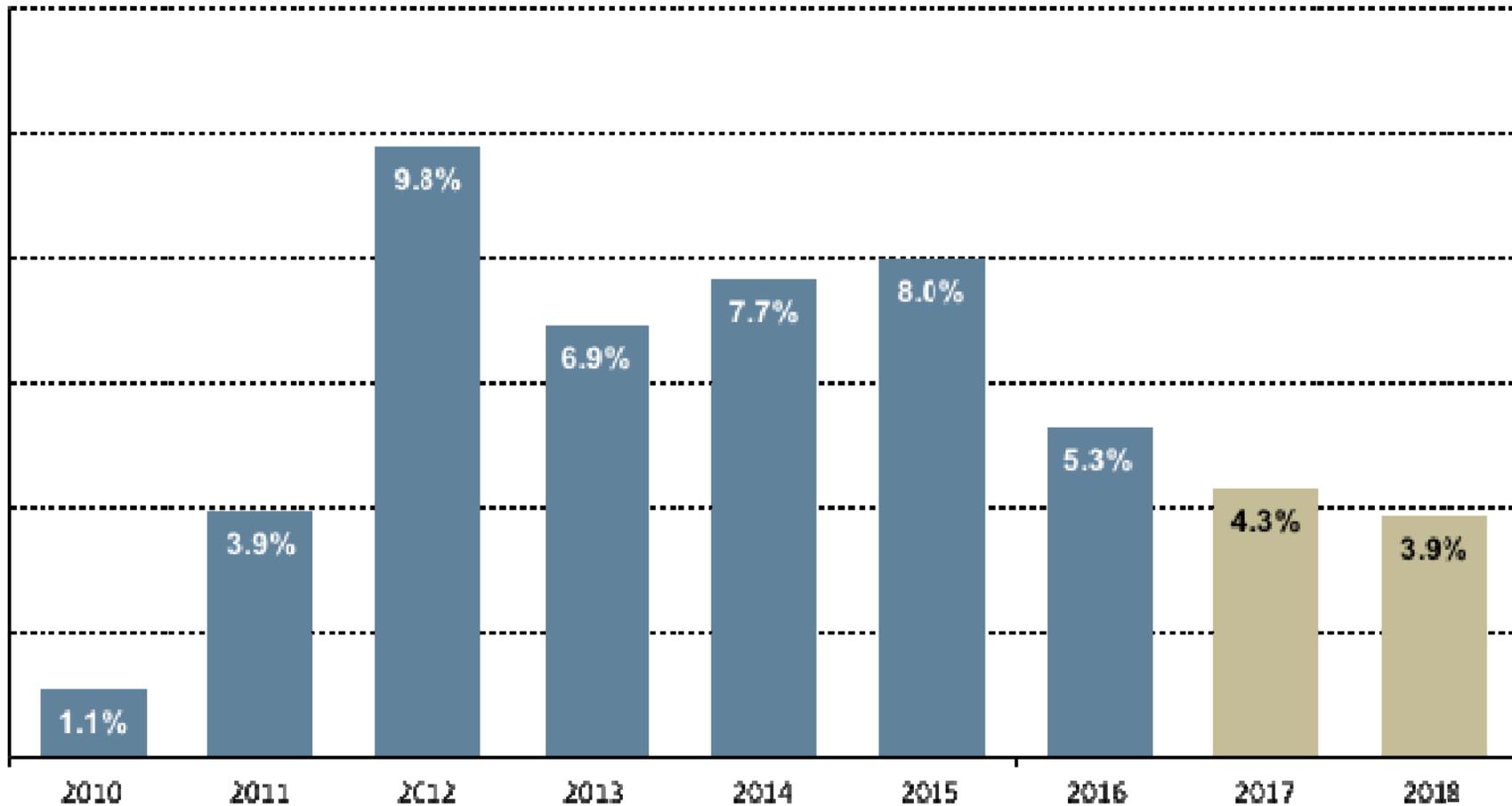
E-Commerce as a Share of National Retail Sales



Source: Commerce Department, TXP

City of Austin

FY Sales Tax: History and Forecast



Source: TXP

Conclusions

- The Austin area remains among the regional economic stars in the United States, with most recent employment revisions suggesting the slowdown was not as severe as initially reported. Nevertheless, overall growth is slowing, a trend expected to continue.
- Forecast is for the overall creation of 33,600 net new jobs in 2017, followed by 32,500 during 2018. Personal income should expand in the 6% range.
- The private sector is projected to create 30,900 net new jobs this year, followed by 29,800 more during 2017. Services of all kinds are where the majority of the new jobs will be found, along with other consumer sectors. All major private sector industry segments will grow, although natural resources/construction is slowing and manufacturing is largely flat.
- Austin remains highly prosperous overall, but cost pressures and mobility issues are driving activity outside the city.

Economic Outlook

Appendix



Austin MSA

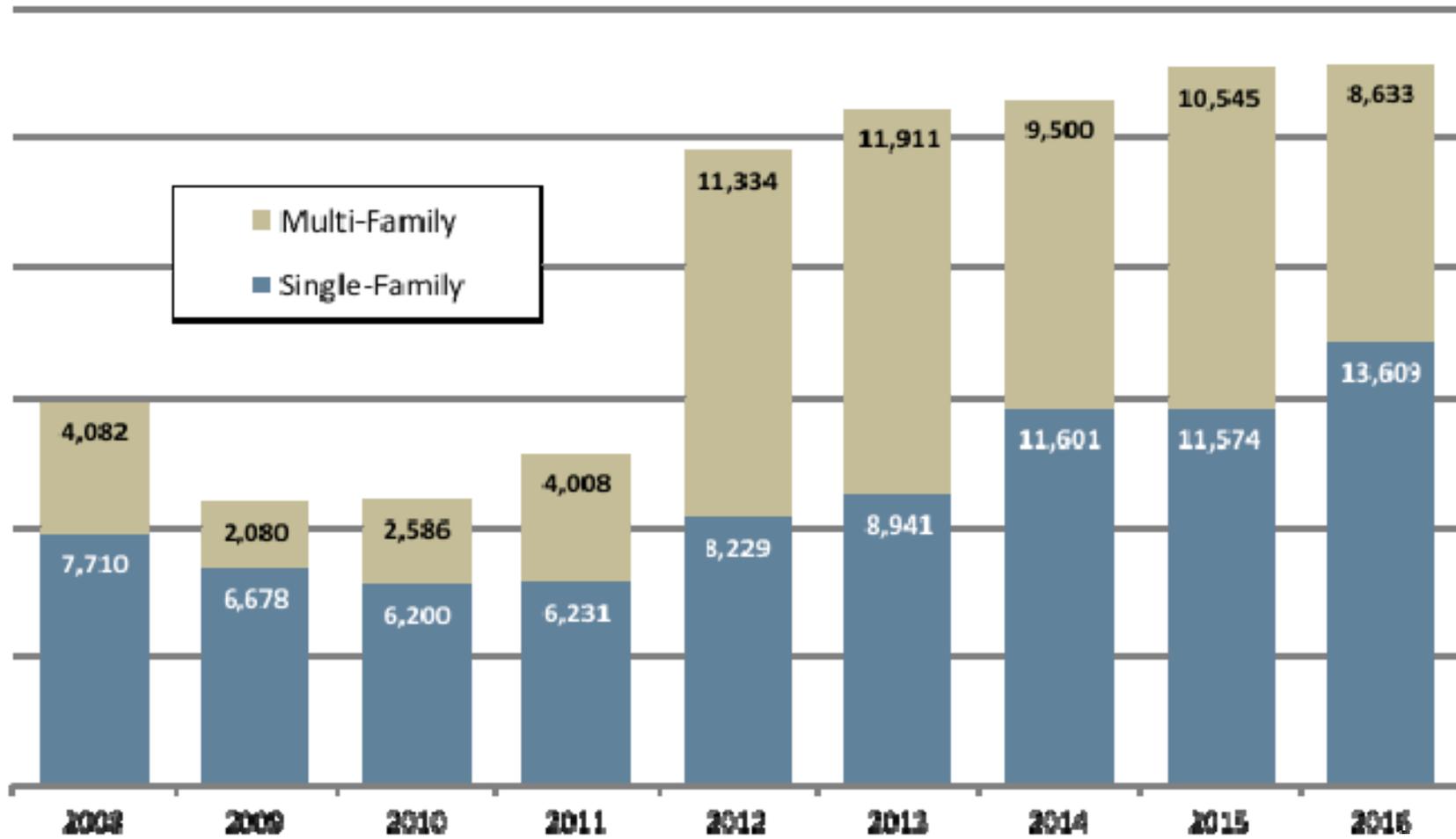
Detailed Forecasts

(000s)	2015	2016	2017	2018	2019	2020	2021
Natural Resources/Mining	55.3	59.0	60.5	61.7	62.9	64.2	65.5
Construction	55.6	55.7	55.8	55.9	56.3	56.7	57.1
Manufacturing	164.8	171.0	177.3	183.6	190.0	196.5	203.0
TTU	27.1	28.4	29.7	31.0	32.3	33.5	34.8
Information	54.0	56.7	59.4	62.1	64.7	67.4	70.0
Financial	161.0	169.2	176.5	183.0	188.7	193.8	198.1
Professional	111.9	116.4	120.8	125.2	129.6	133.8	138.0
Education/health	115.5	121.9	128.3	134.7	141.1	147.5	153.8
Leisure	42.7	43.6	44.5	45.3	46.2	47.1	48.0
Other Services	55.3	59.0	60.5	61.7	62.9	64.2	65.5
<i>Total Private</i>	787.9	821.9	852.8	882.5	911.8	940.3	968.1
Government	175.2	177.9	180.6	183.4	186.3	189.1	192.0
Total Employment	963.1	999.8	1,033.4	1,066.0	1,098.1	1,129.5	1,160.2
Population	1,998,104	2,056,405	2,093,562	2,131,559	2,167,719	2,201,592	2,233,333
Personal Income (millions)	\$102,072.2	\$109,534.7	\$116,438.2	\$123,423.9	\$130,560.1	\$137,810.0	\$145,171.8

Source: TXP

Austin MSA

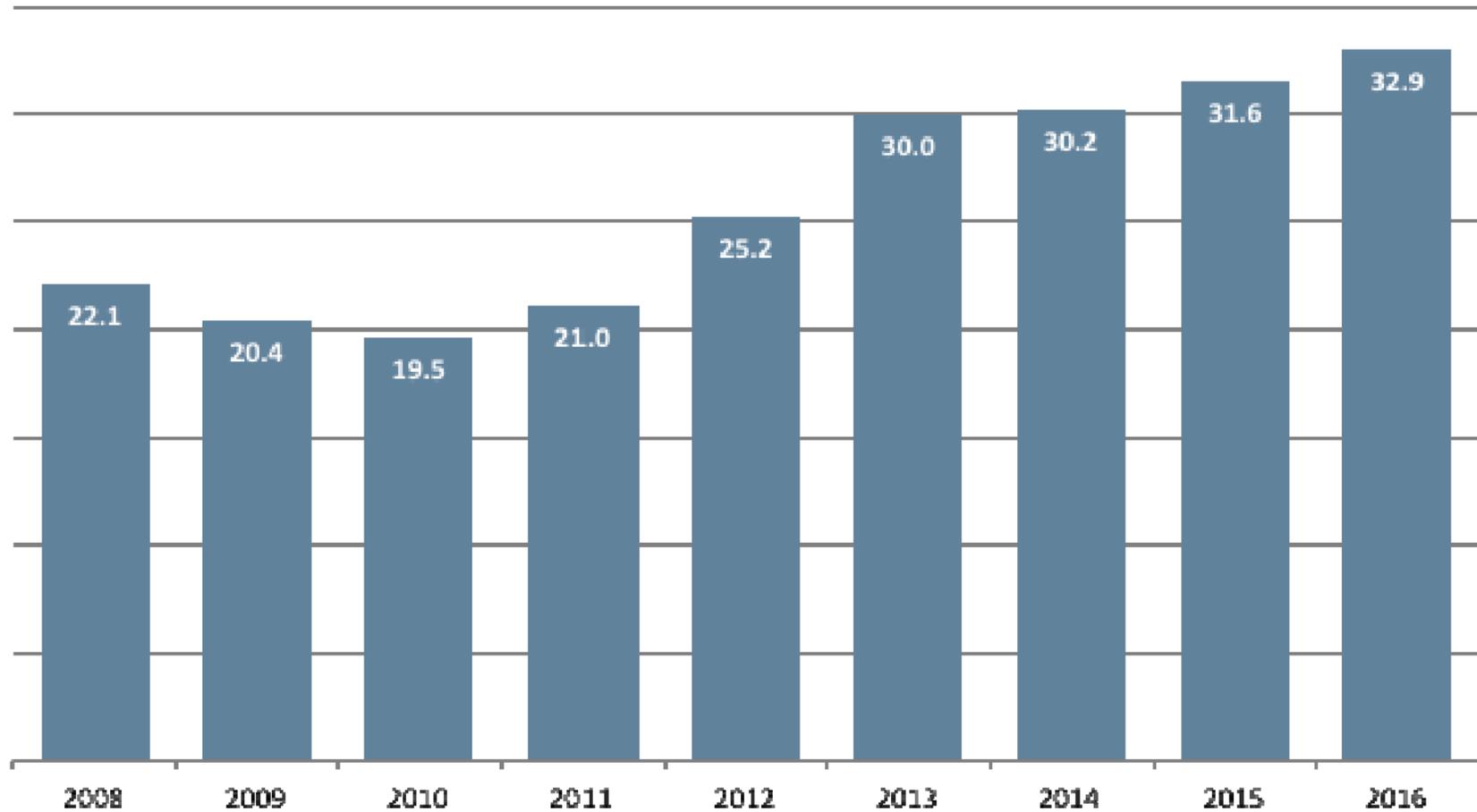
Building Permits



Source: TXP

Austin MSA

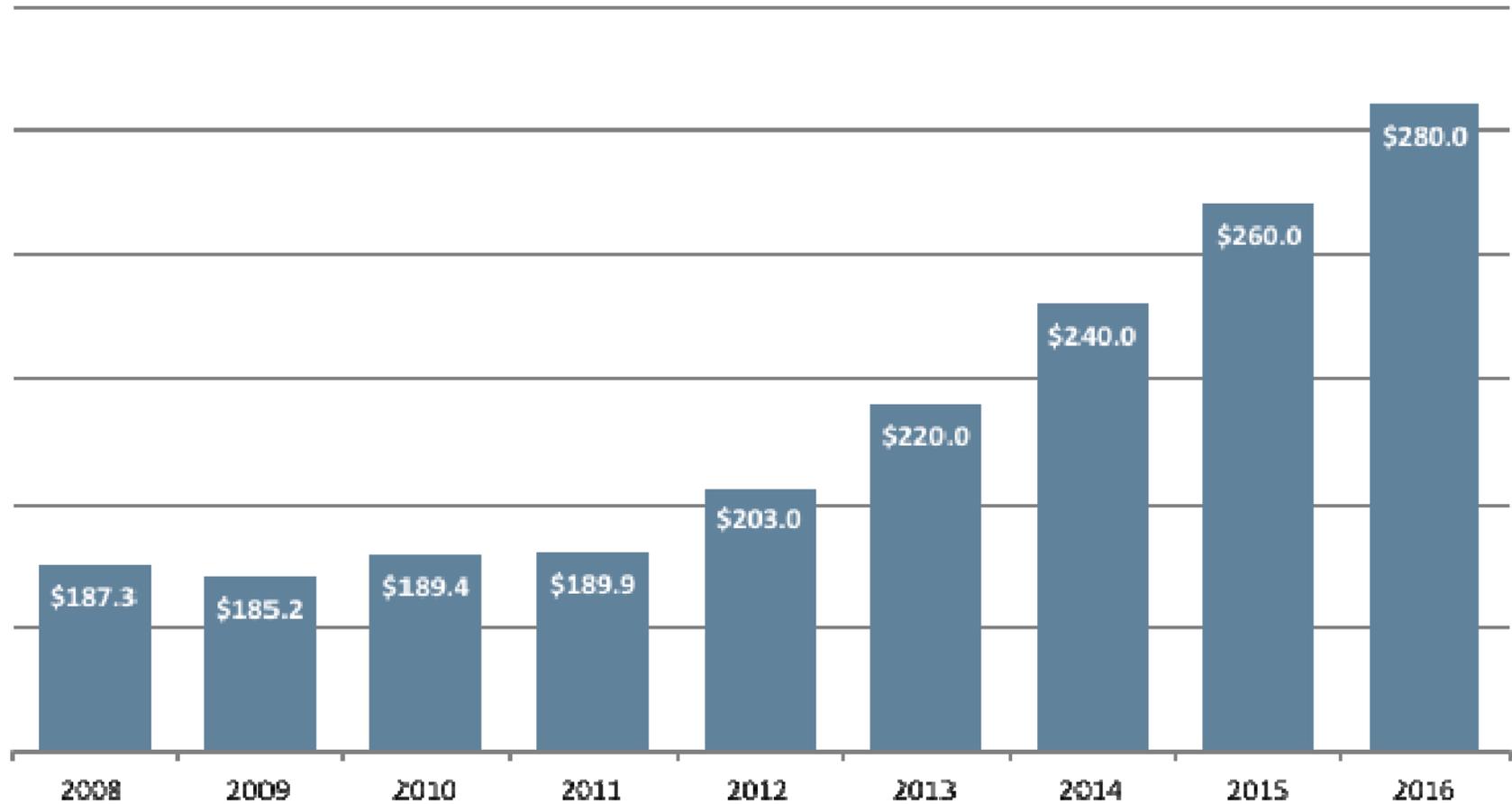
Home Sales (000s)



Source: TXP

Austin MSA

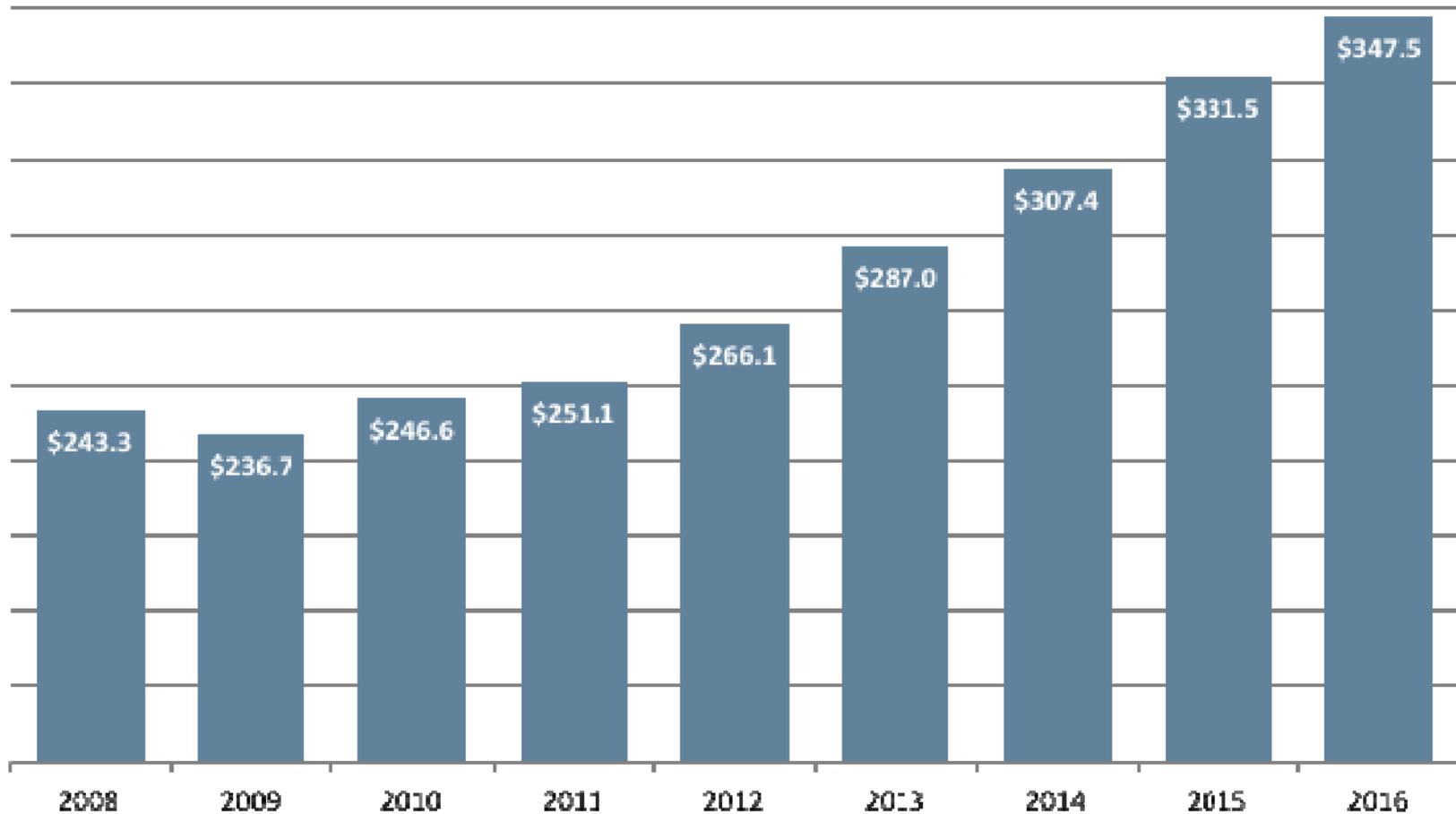
Median Home Price (000s)



Source: TXP

Austin MSA

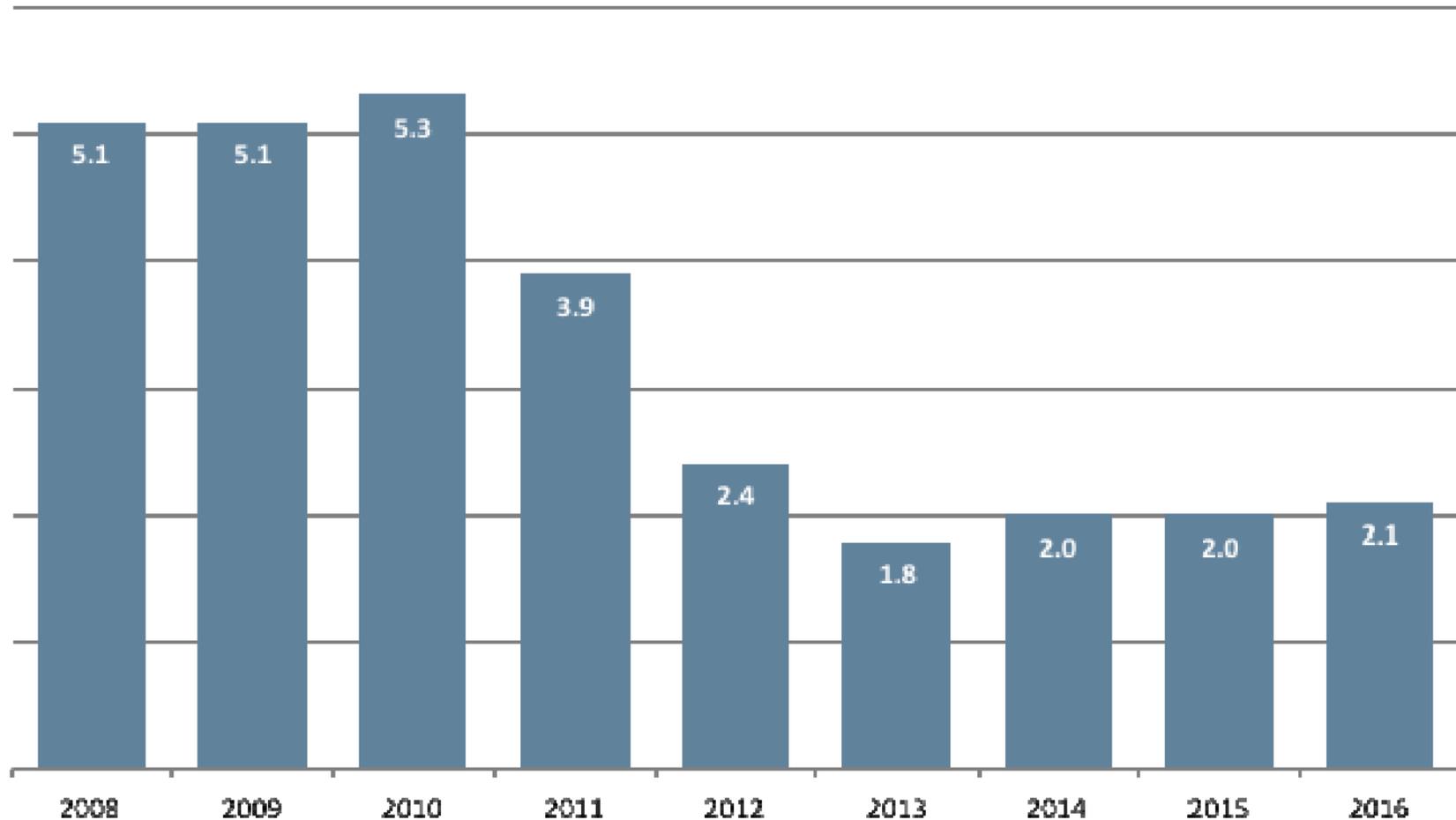
Average Home Price (000s)



Source: TXP

Austin MSA

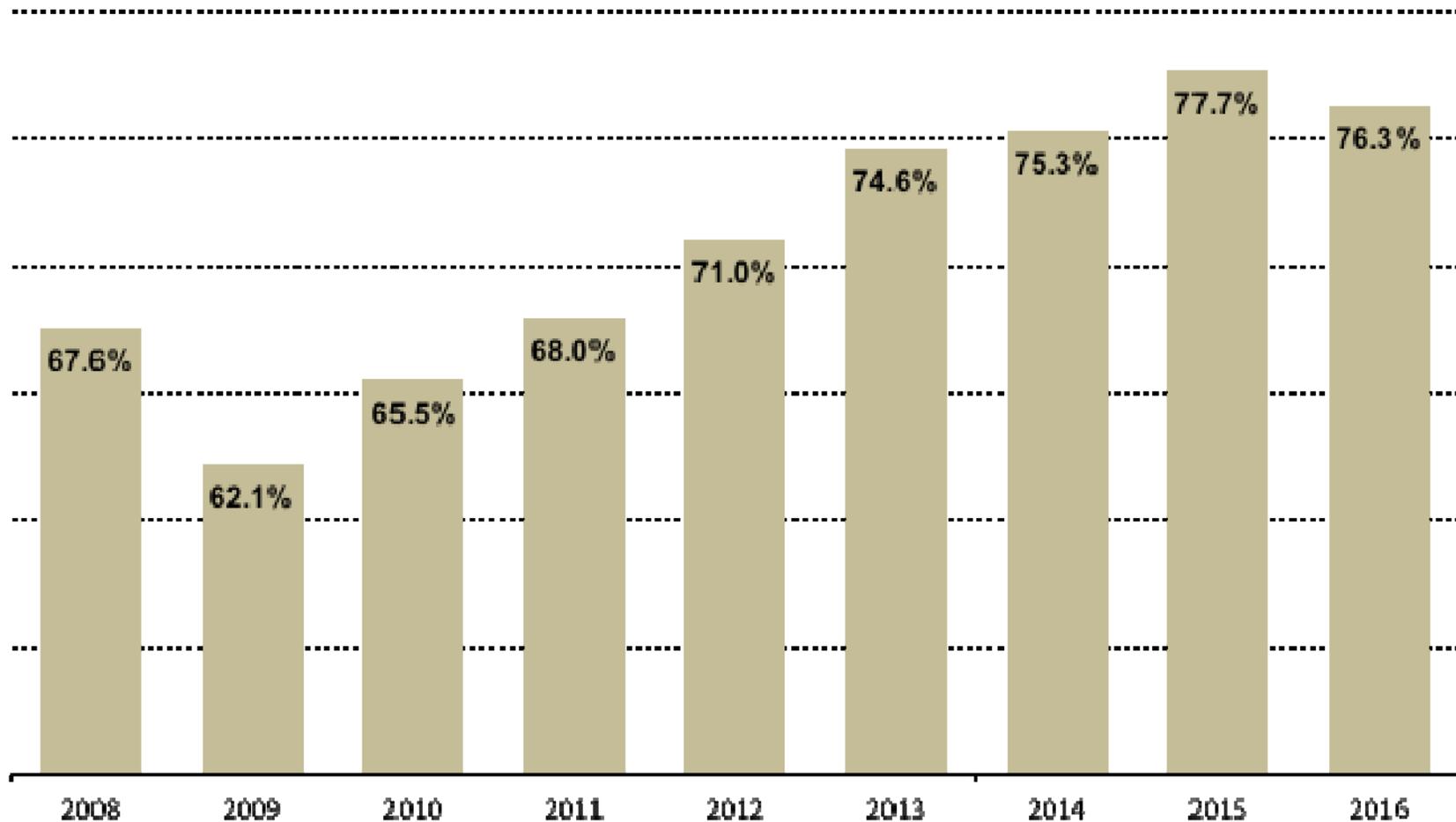
Months of Housing Availability



Source: TXP

City of Austin

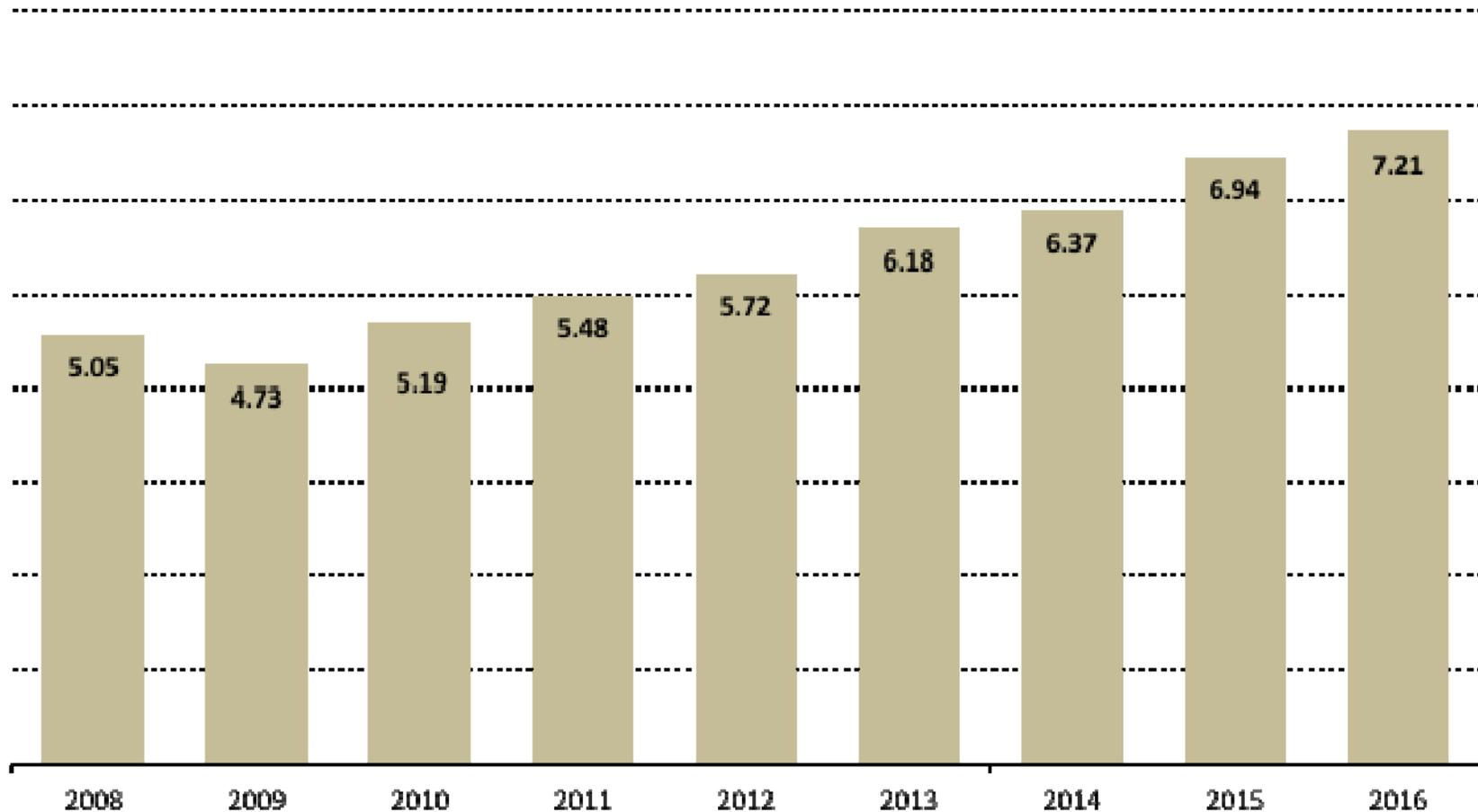
Hotel Occupancy Rate



Source: Source Strategies, TXP

City of Austin

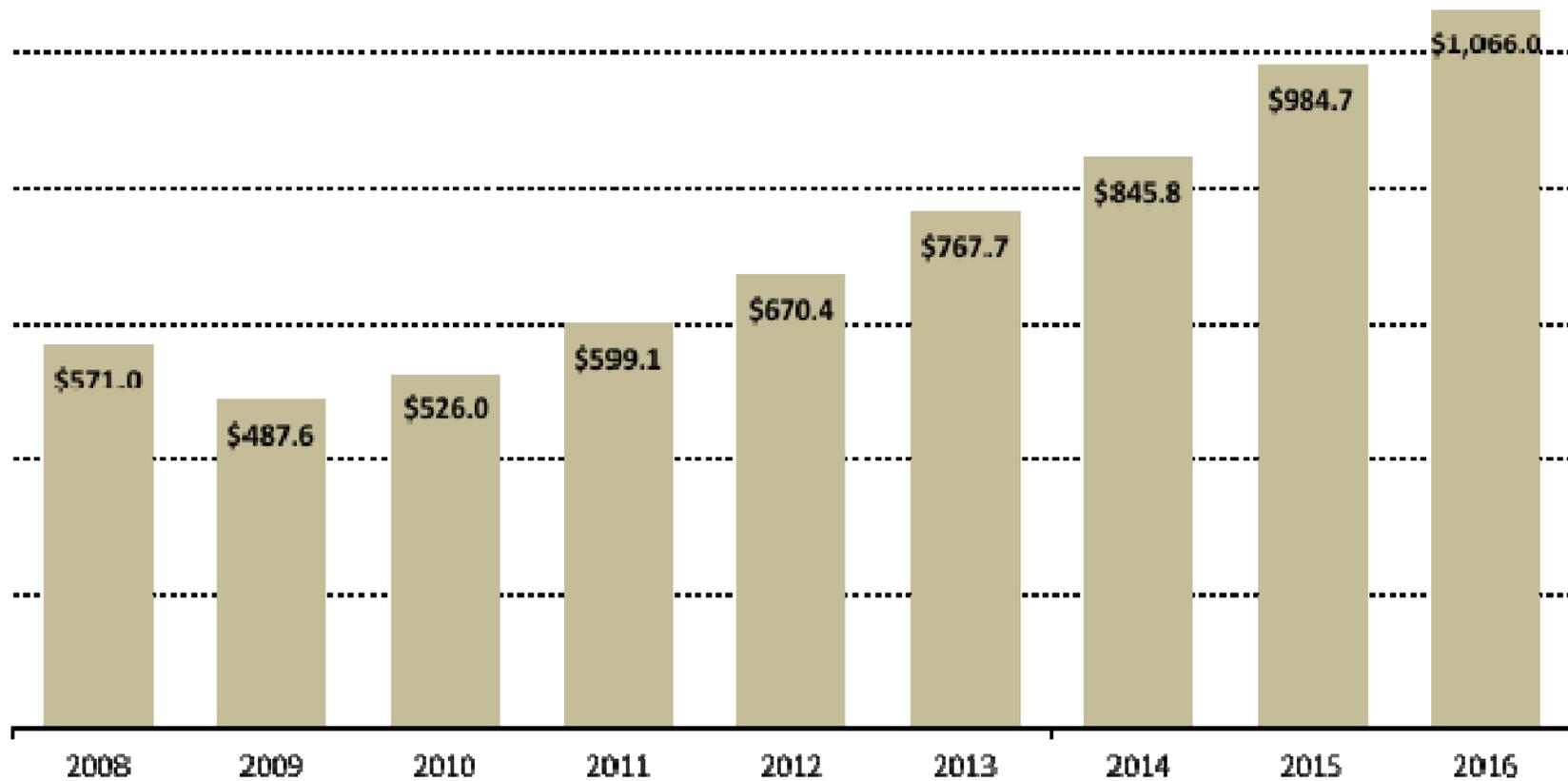
Hotel Room Nights Sold (millions)



Source: Source Strategies, TXP

City of Austin

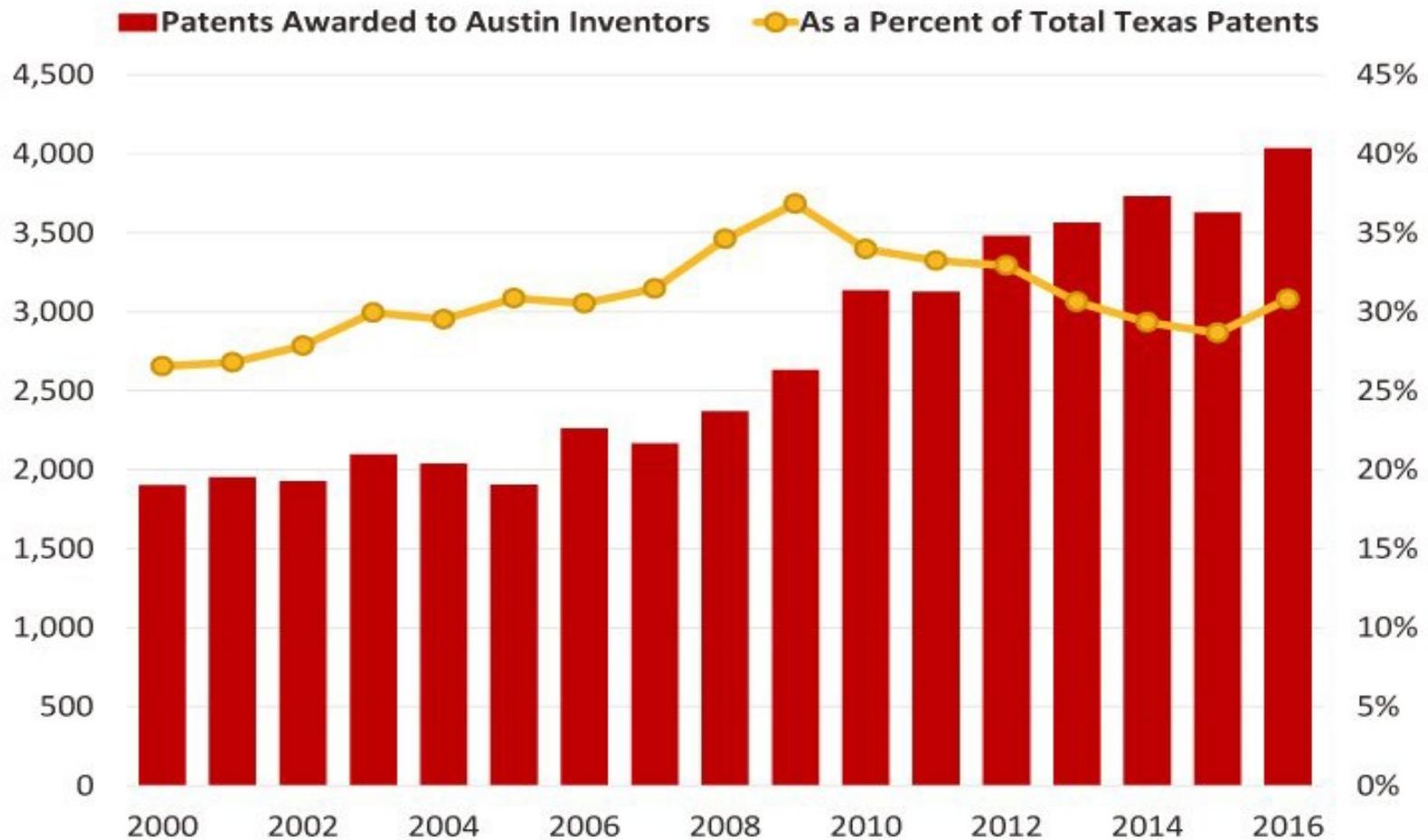
Hotel Room Revenue (millions)



Source: Source Strategies, TXP

City of Austin

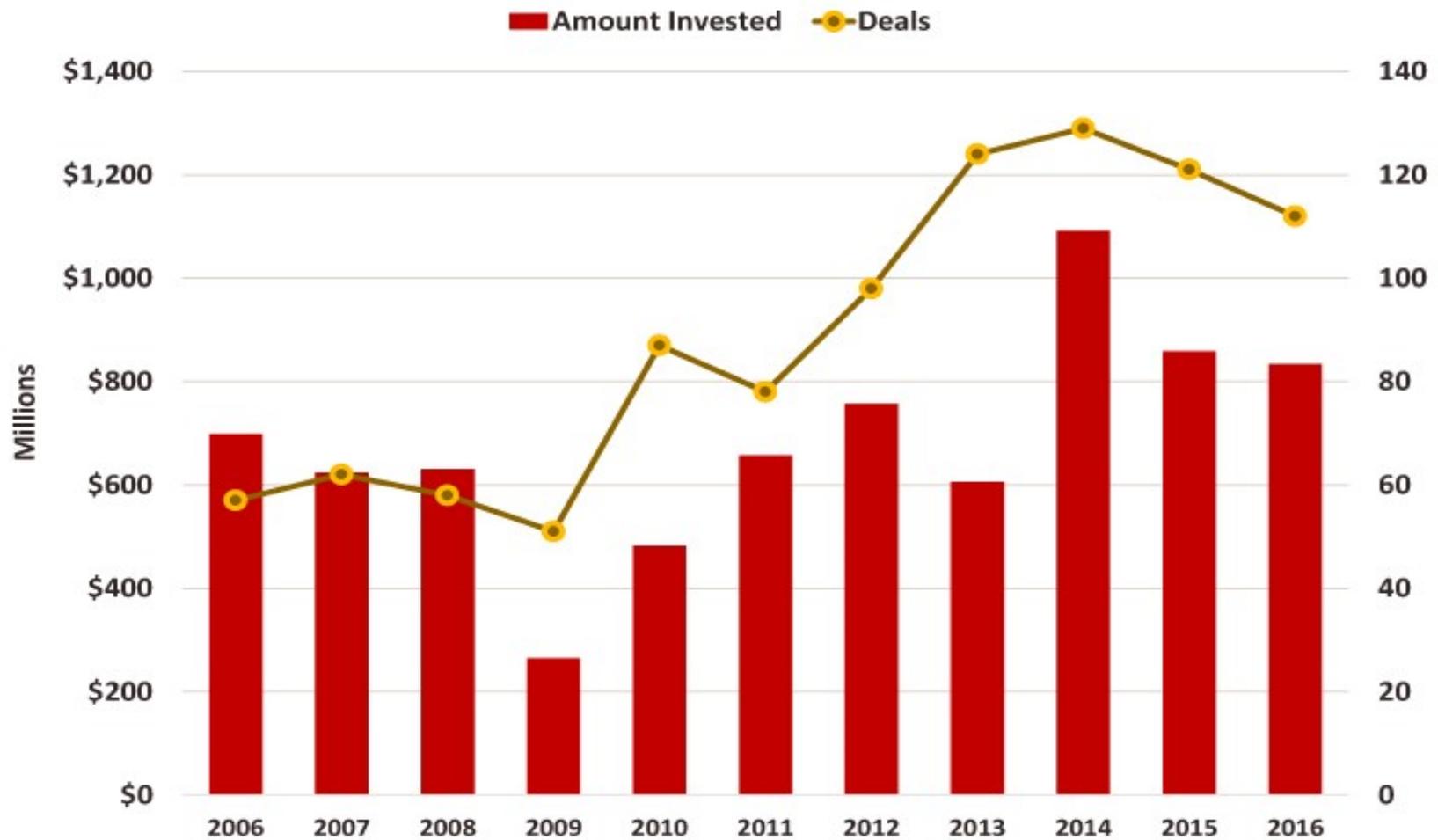
Patent Activity



Source: Greater Austin Chamber of Commerce, TXP

City of Austin

Venture Capital Invested



Source: Greater Austin Chamber of Commerce, TXP

General Fund Financial Forecast

- A Look Back at the FY 2017 Forecast
- FY 2018 Base Revenue and Expenditure Projections
- Unfunded Council Resolutions/Initiatives
- Five-Year Financial Forecast
- Potential Policy Topics for Council Consideration

Ed Van Eenoo, Deputy Chief Financial Officer

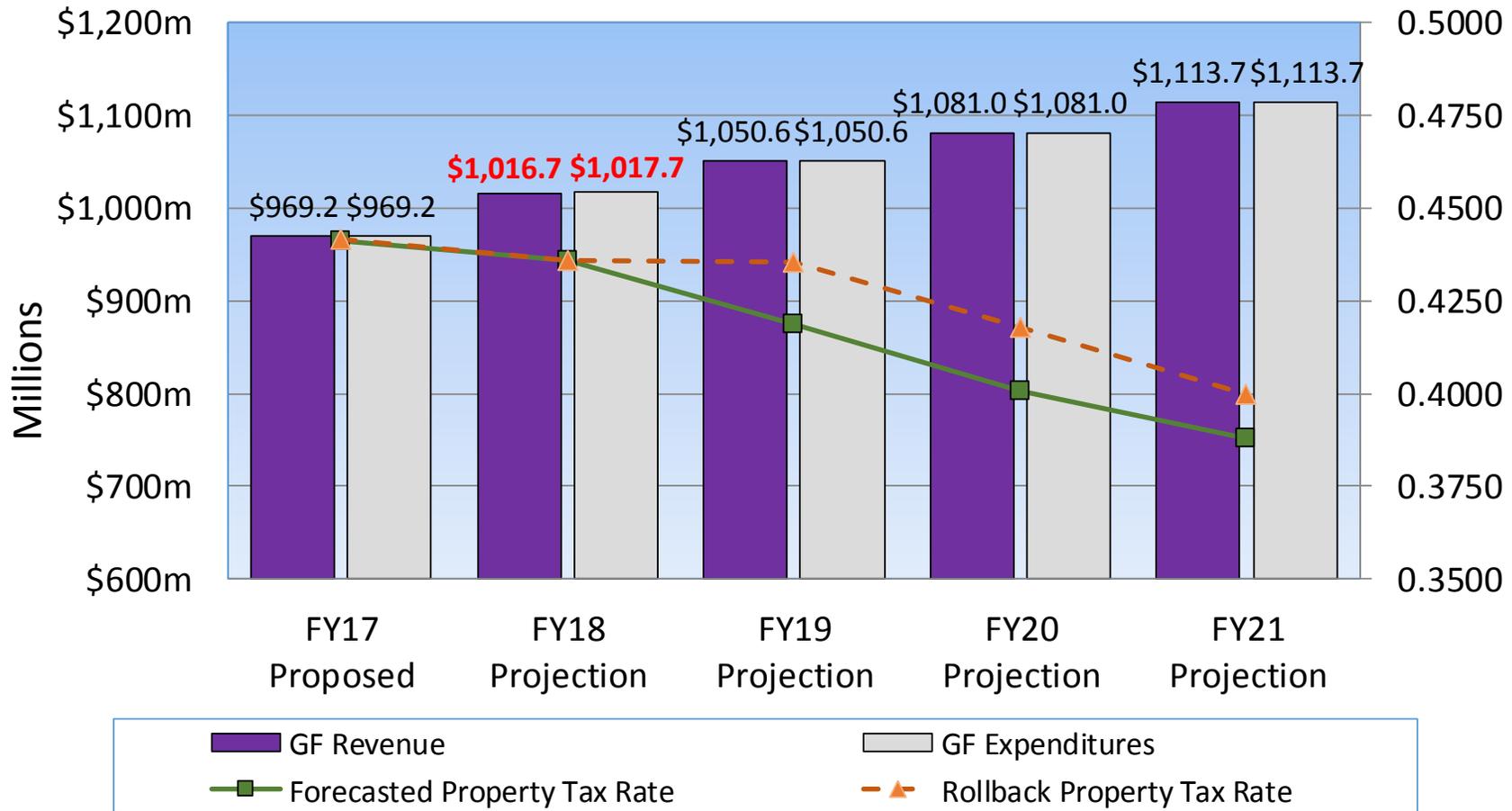
City of Austin



Updated Five-Year Outlook

Projected Baseline Expenditures vs. Revenue

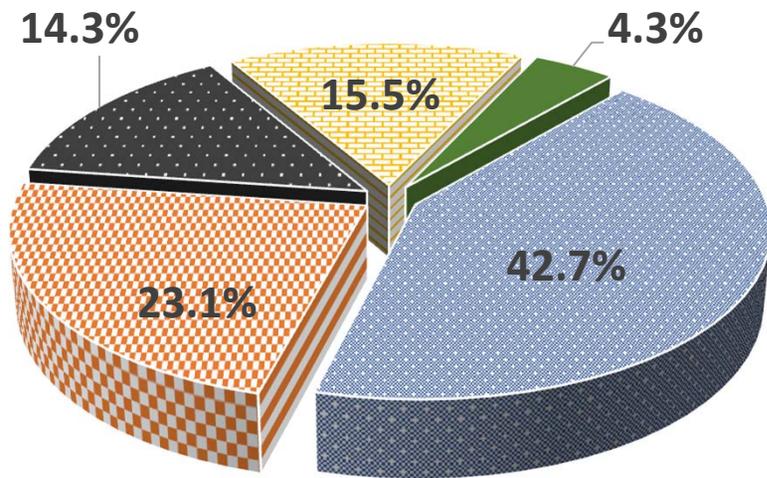
Presented August 31, 2016



Projections based on cost drivers associated with existing programs, approved annexations, and new facility opening dates. Projections do not include funding for new initiatives.

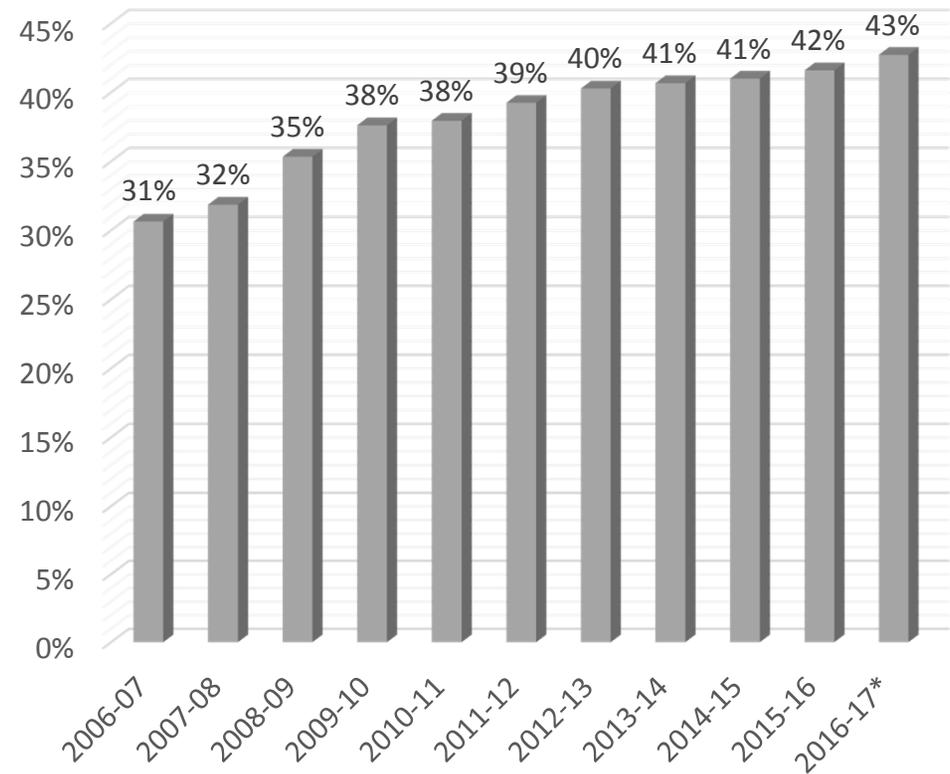
Current General Fund Revenue

FY 2017 Amended Budget
Source of Funds
\$970.6 million



- Property Tax
- Other Revenue
- Development
- Sales Tax
- Utility Transfers

Property Tax as a Share of Total
General Fund Revenue

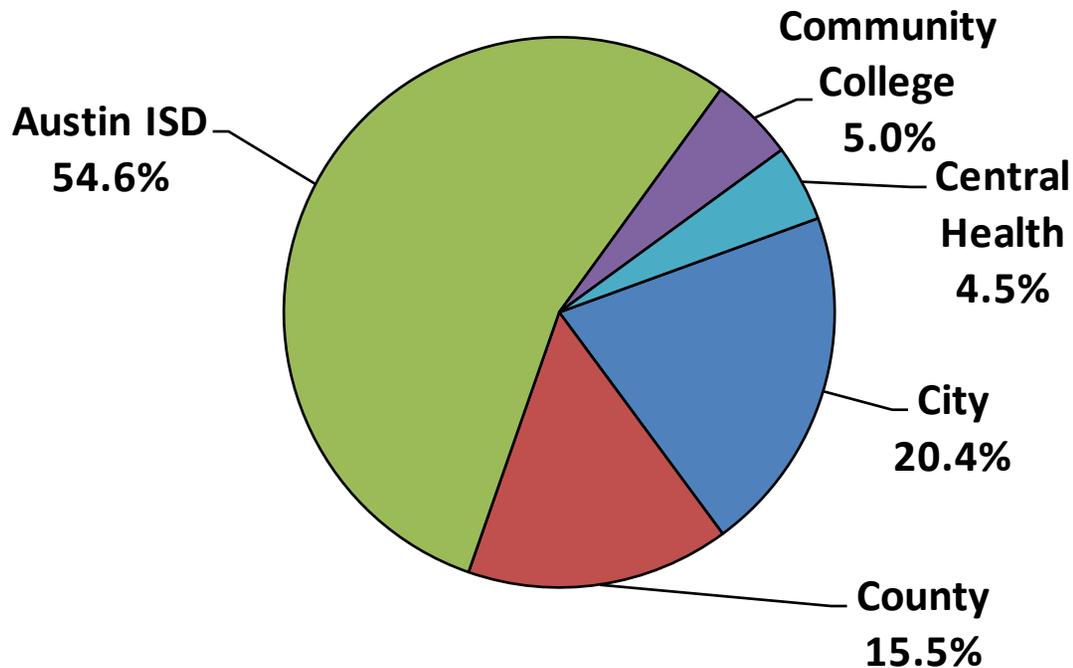


* Amended

Overlapping Property Tax

Property Tax Bill for Median-Valued Non- Senior Homestead

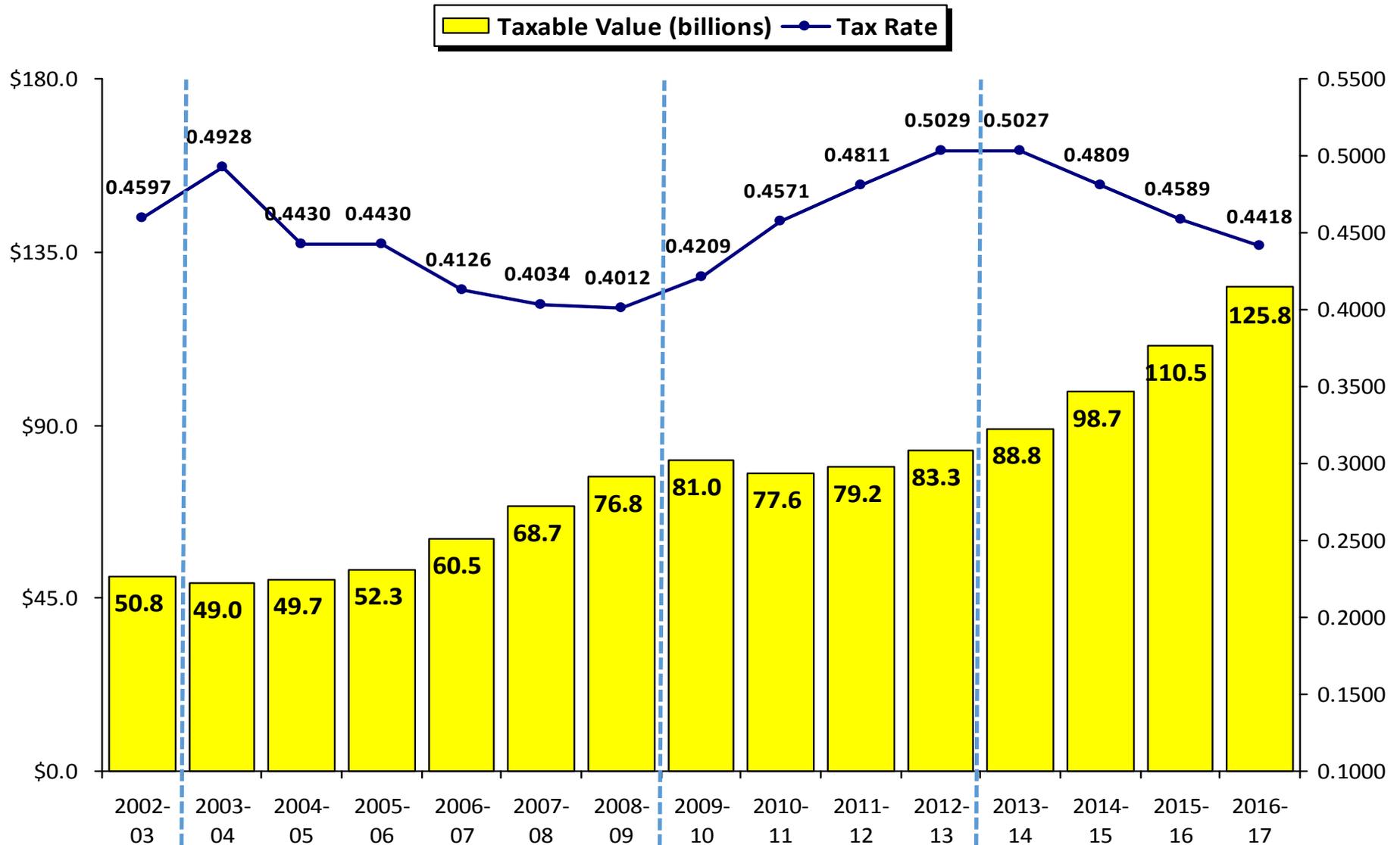
Jurisdiction	FY 2016	FY 2017	Change
City of Austin	\$1,087	\$1,133	\$46
Travis County	\$841	\$856	\$15
Austin Independent School District	\$2,729	\$3,025	\$296
Austin Community College	\$248	\$279	\$31
Central Health	\$237	\$246	\$9
Total Tax Bill	\$5,142	\$5,539	\$397



School District Tax Rate

Jurisdiction	FY 2017
Austin ISD	\$1.19200
Del Valle ISD	\$1.52000
Eanes ISD	\$1.21250
Lake Travis ISD	\$1.40750
Leander ISD	\$1.51187
Manor ISD	\$1.51500
Pflugerville ISD	\$1.54000
Round Rock ISD	\$1.33250

Austin Property Tax Base



Property Tax Projections

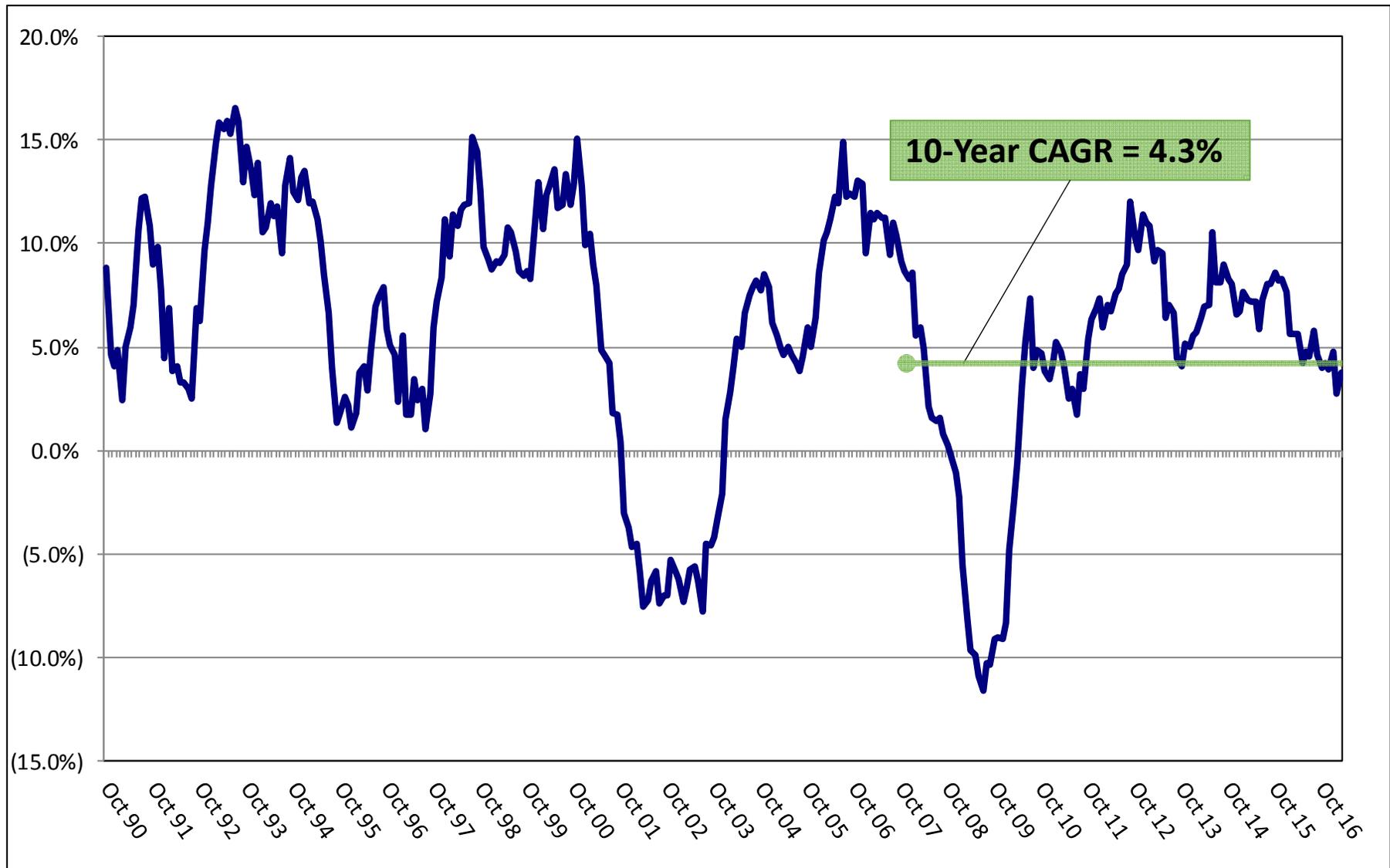
Fiscal Year	Projected Assessed Valuation Growth	Projected O&M Revenue at Effective Rate	Projected O&M Revenue at 5% Rollback Cap*	Projected O&M Revenue at 8% Rollback Rate
FY 2018	8.9 %	\$417.0 m	\$454.0 m	\$454.0 m
FY 2019	8.0 %	\$422.1 m	\$482.6 m	\$496.5 m
FY 2020	8.0 %	\$421.9 m	\$509.9 m	\$539.6 m
FY 2021	6.0 %	\$423.3 m	\$537.2 m	\$585.0 m
FY 2022	6.0 %	\$424.0 m	\$565.4 m	\$633.7 m

* Current bills under consideration at the State legislature would not go into effect until FY 2019. Therefore, FY 2018 revenue is projected at the 8% rollback rate.

- Estimated new construction value of \$2.7 billion in FY 2018, average of \$2.1 billion projected in out years
- Preliminary estimates reflect multifamily growth of 18.3%, commercial growth of 14.7%, and residential growth of 6.6%
- \$5.20 per month impact to "typical" homeowner at 8% rollback rate

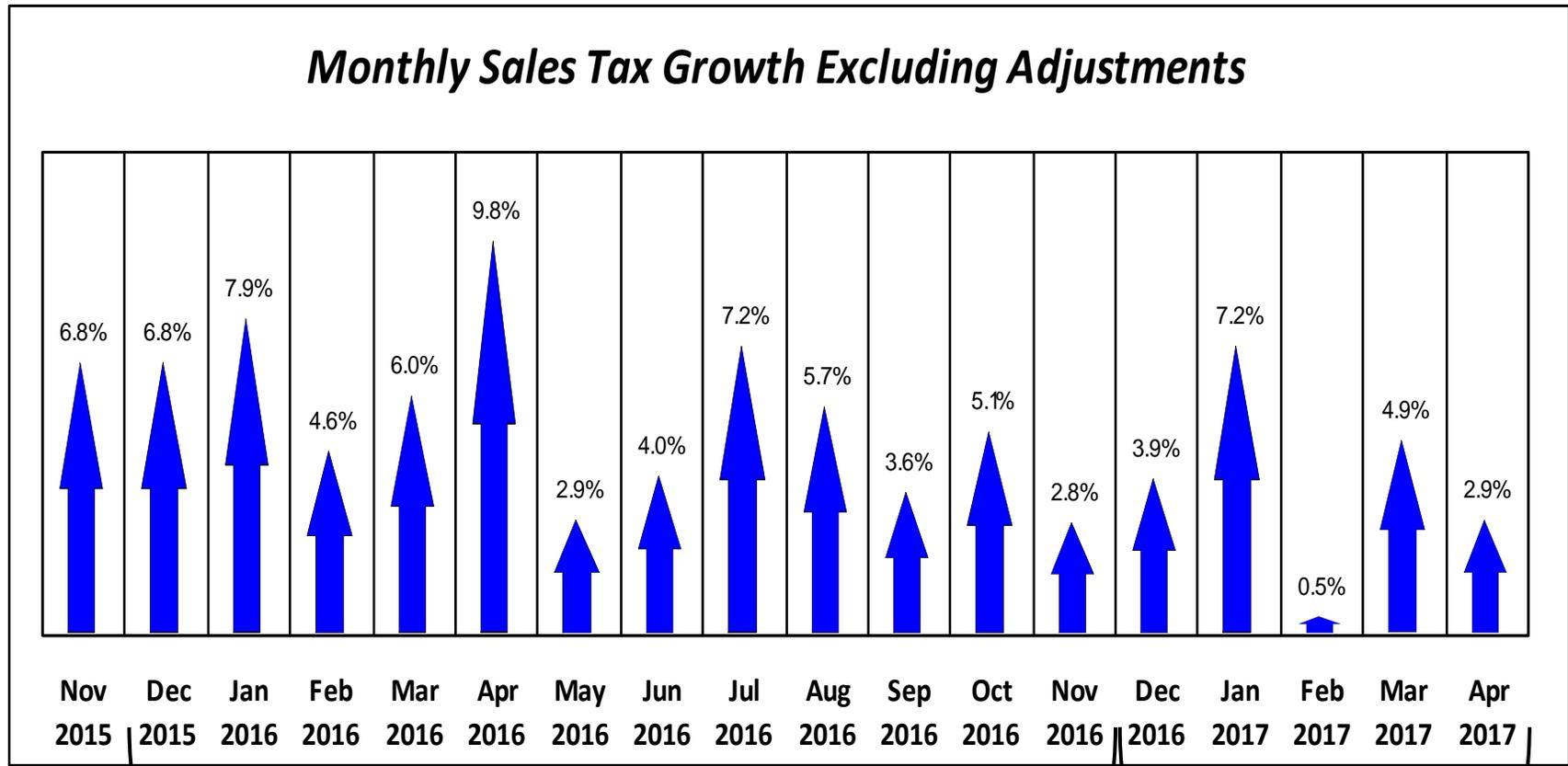
Sales Tax Revenue Trend

6-month rolling average of monthly changes in sales tax



Sales Tax Revenue Trend

Growth in monthly current collections



Average = 5.5%

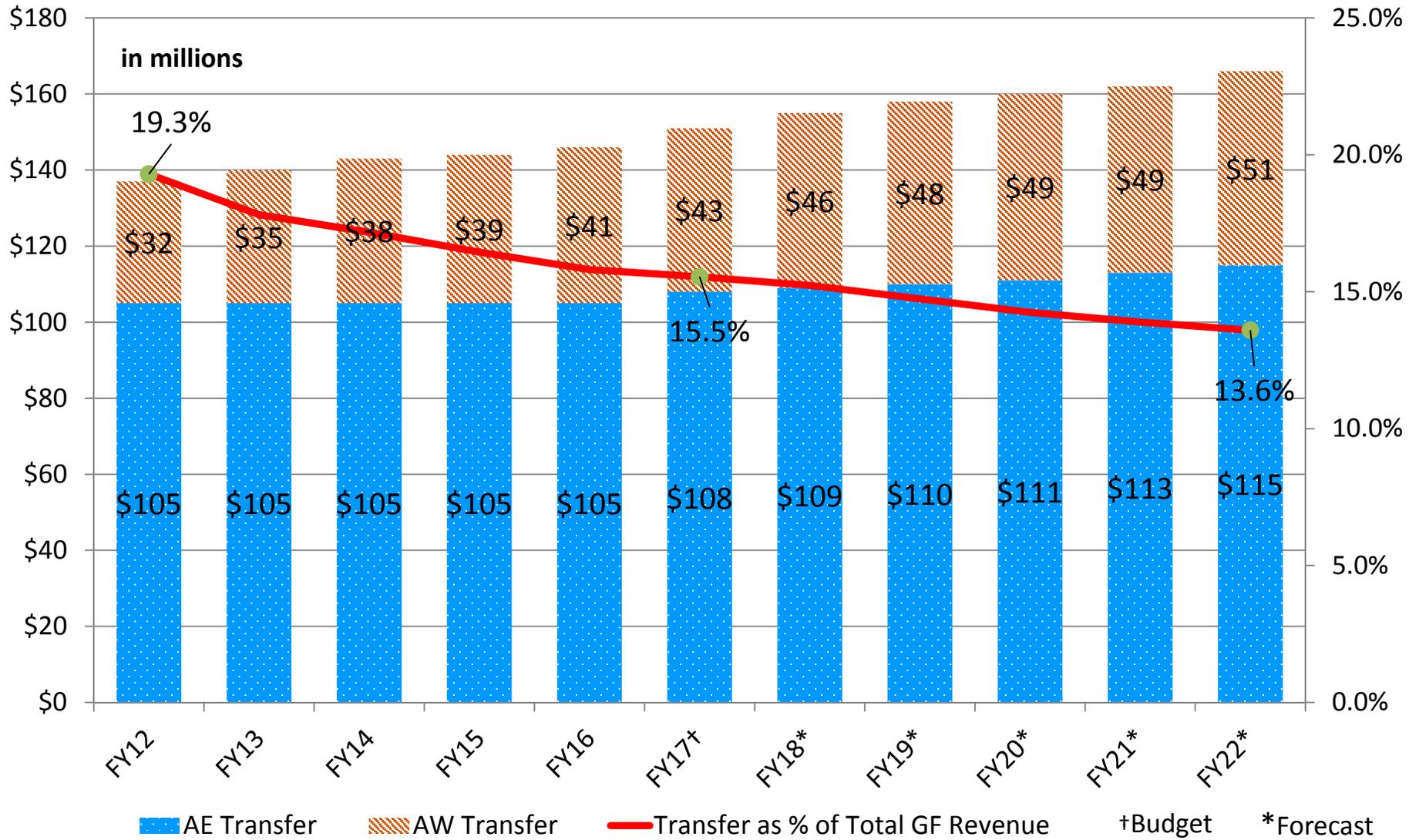
Average = 3.9%

Sales Tax Assumptions

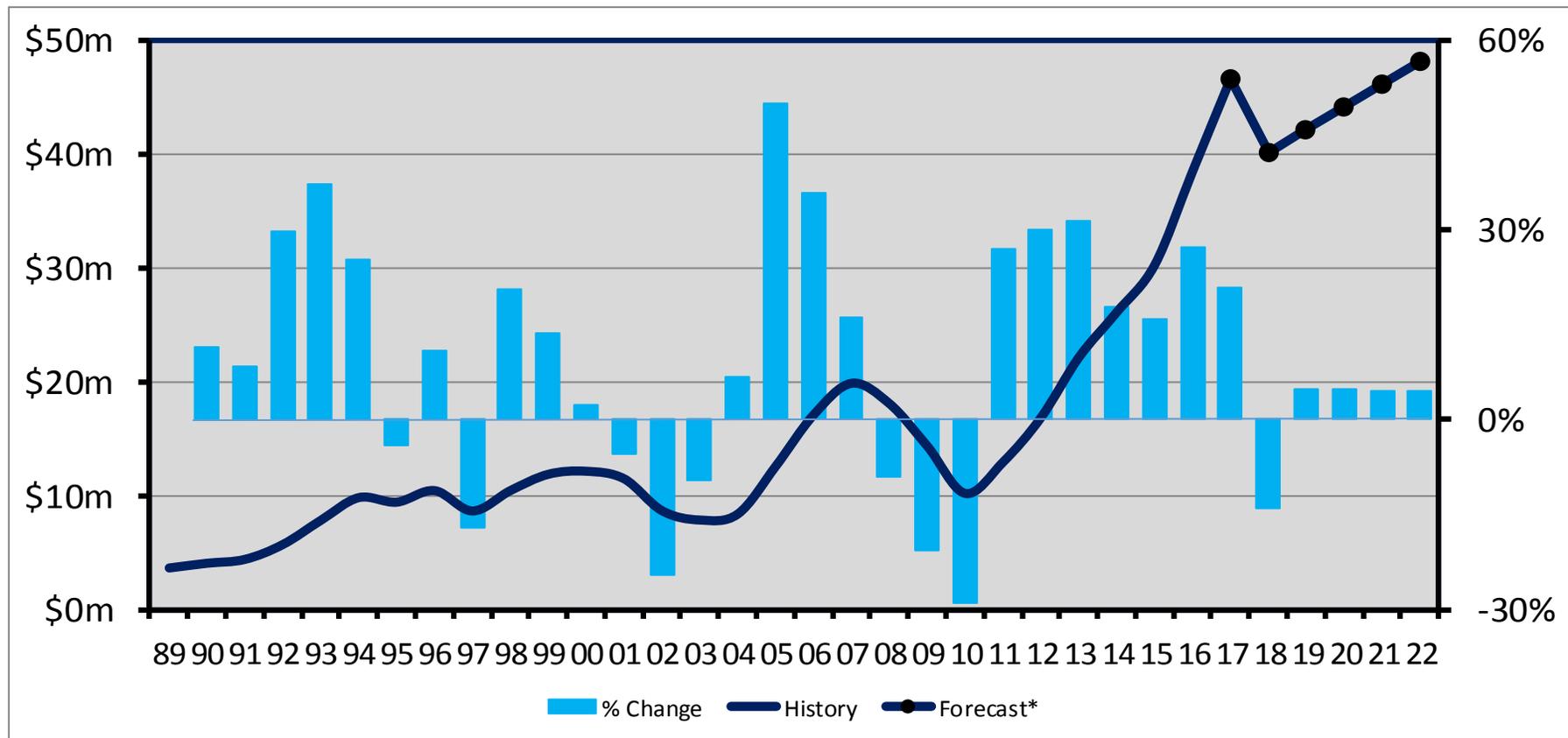
Forecast		
Fiscal Year	Growth Rate	Total Revenue
FY 2017	4.3%	\$221.8 m
FY 2018	3.5%	\$229.5 m
FY 2019	3.5%	\$237.6 m
FY 2020	3.5%	\$245.9 m
FY 2021	3.5%	\$254.5 m
FY 2022	3.5%	\$263.4 m

- Projected growth for FY 2017 = 4.3%, below budgeted growth rate of 5.4%
- Forecast for FY 2018 and subsequent years represents expectation of return to more moderate and sustainable growth pattern
- *Conservative forecasting—a best practice viewed favorably by rating agencies*
- Critical to nurturing strong reserves – RESILIENCY!

Utility Transfer History



Development Revenue



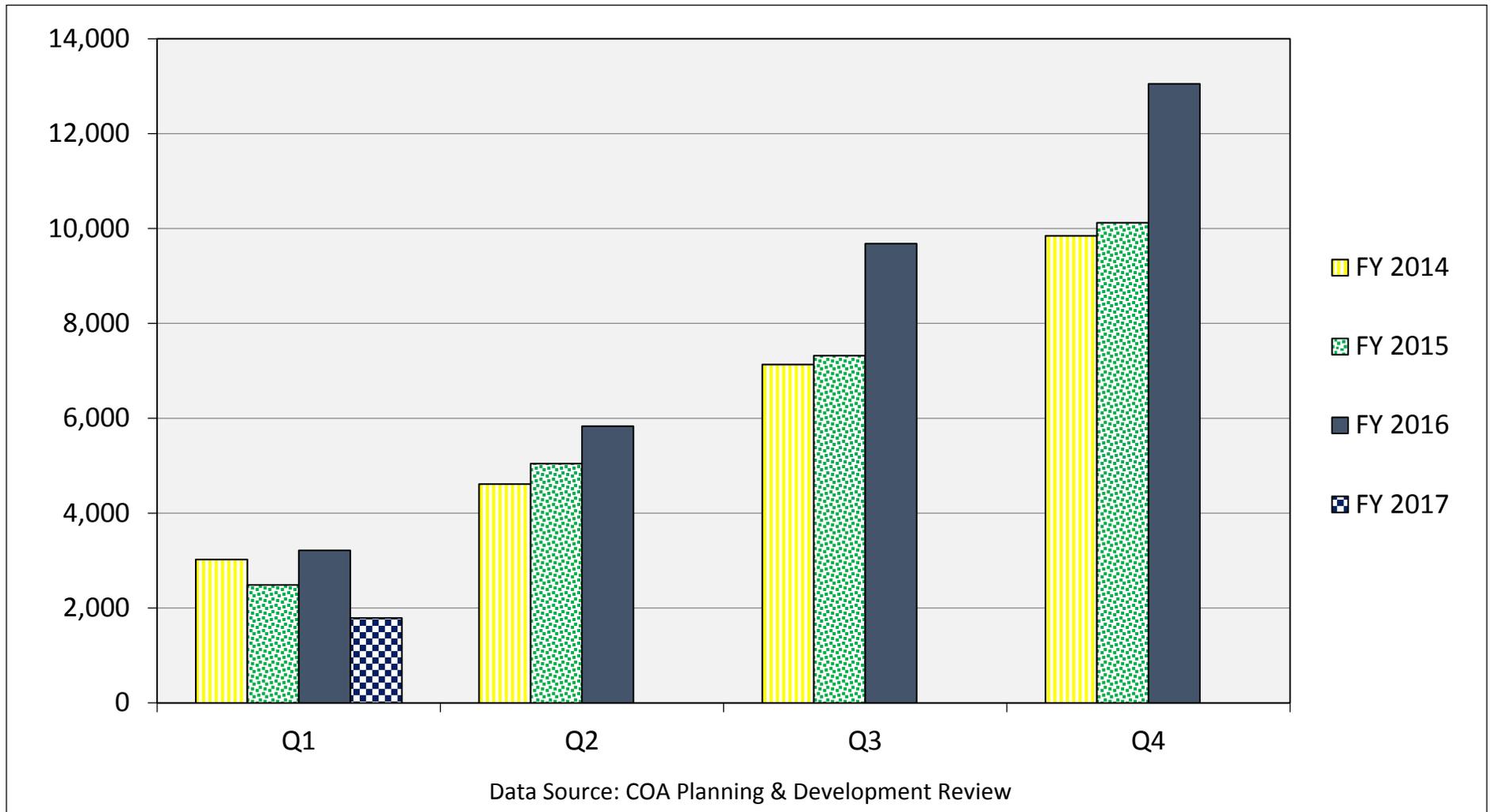
FY 2017 estimate = \$46.7 M; FY 2018 forecast = \$40.2 M

- Project over-recovery of expenditures in FY17 due to elevated activity levels
- Ongoing cost-of-service study will align revenues with eligible expenditures

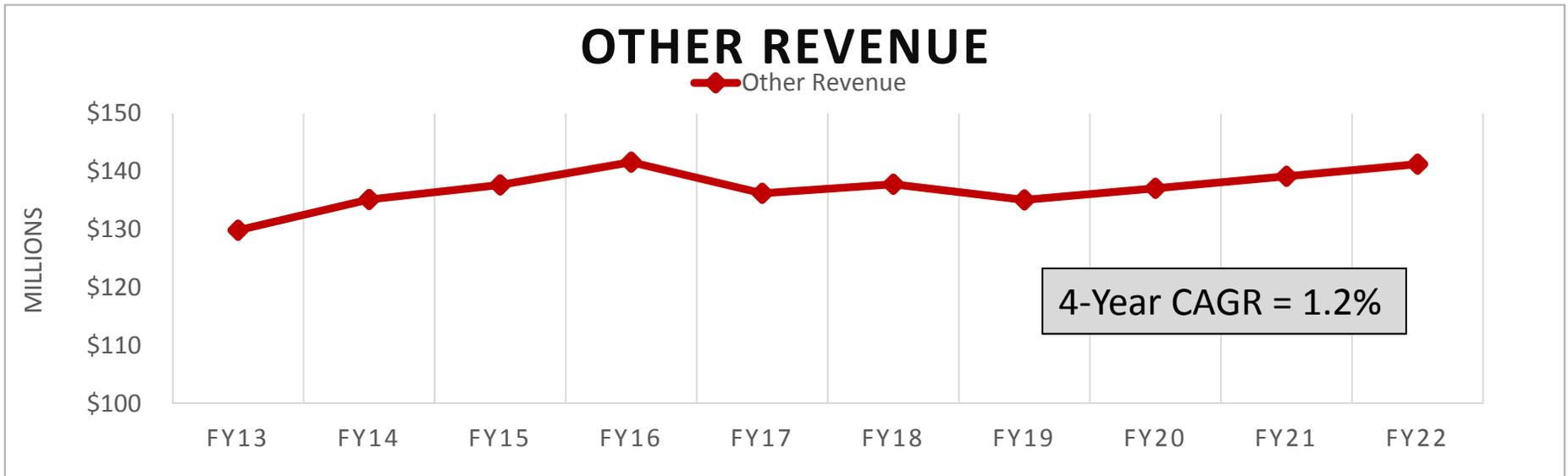
Development Revenue

Permit Volume

Cumulative Quarterly Residential Building Permit Units



Other Revenue

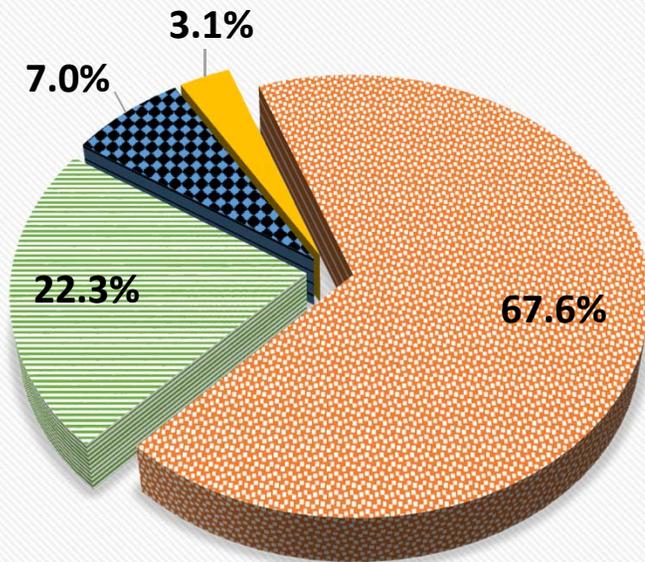


Major Components of "Other" Revenue:

- EMS revenue: \$42.6 million
- Franchise Fees: \$37.4 million
- Other Taxes (primarily Mixed Beverage): \$12.3 million
- Municipal Court Fines: \$12.1 million
 - Decrease in FY 2017 of \$3.3 million, primarily due to lower traffic fines

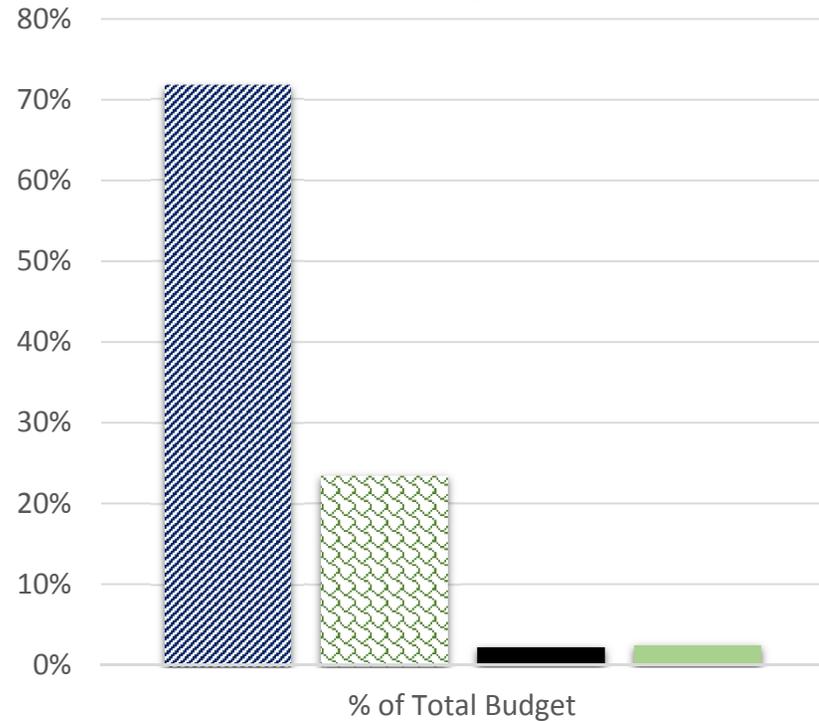
Current General Fund Expenditures

**FY17 Uses of Funds
(\$970.6 million)**



- Public Safety (APD, AFD, EMS)
- Community Services (LIB, PARD, AS, HHS, NHCD)
- Other Departments (MC, PAZ & DS)
- Transfers & Other

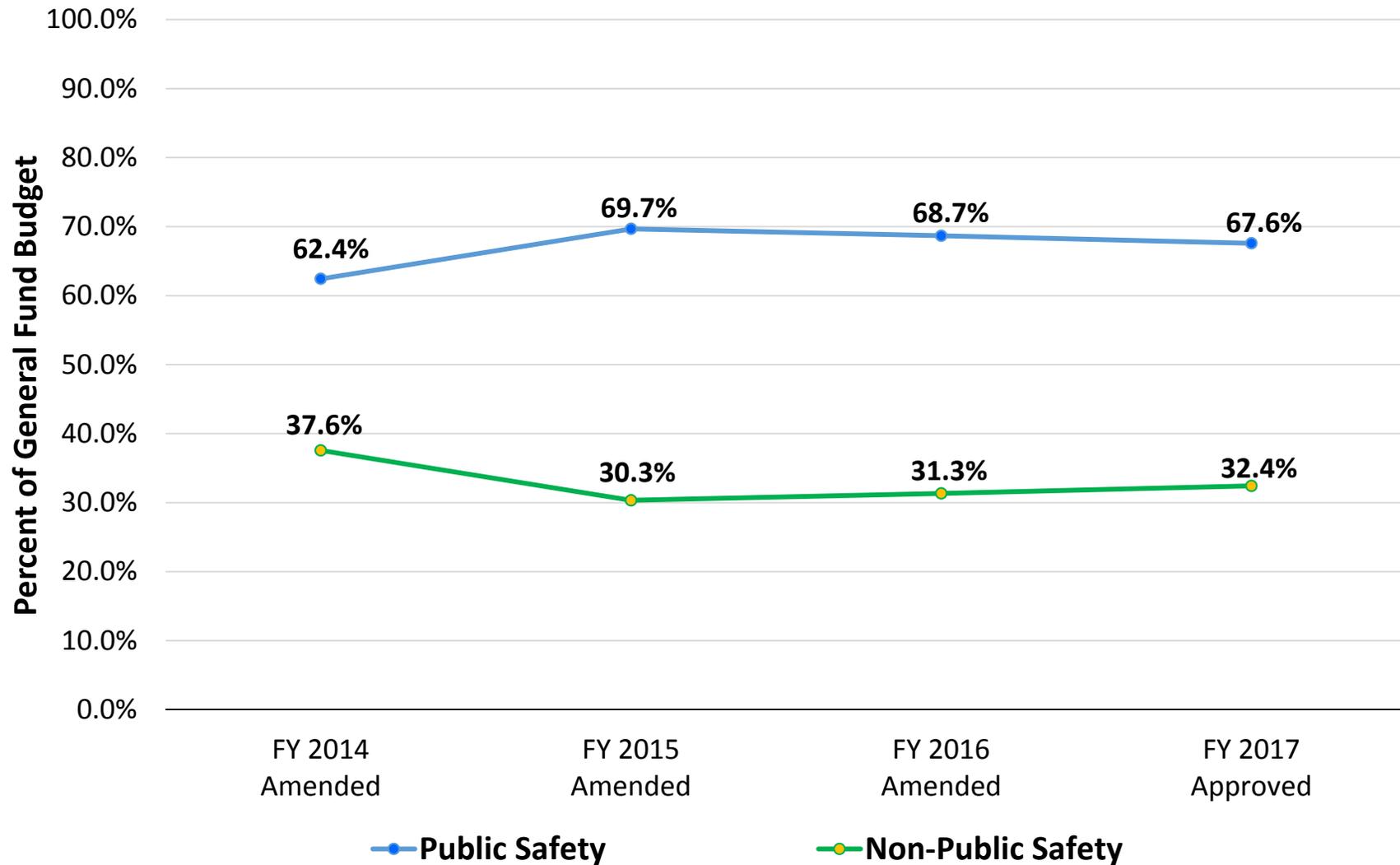
**General Fund Expenditures
by Category**



- Personnel
- Contractual Services
- Commodities
- Interfund Transfers

General Fund – 4 Year History

Percent of General Fund: Public Safety vs. Non-Public Safety



* Beginning in FY 2015, administrative and personnel cost centers were allocated to departments from the General Fund level.

Projected General Fund Cost Drivers

FY 2018 Built-in Cost Escalators

Item	Amount
<u>Placeholder</u> for markets, COLA, PFP, and contracts <u>or</u> new positions	\$17.5M
City health insurance contribution increase of 5%	\$4.6M
Communications & Technology Management cost allocation	\$4.4M
Support Services cost allocation	\$3.9M
Increased Fire overtime pay	\$3.5M
Fleet maintenance and fuel costs	\$2.6M
Various contractual and commodities increases (all departments)	\$2.0M
Increase transfers EDD, 311 Call Center, WCI, Accrued Payroll, CPMF	\$1.9M
Final staff and supplies for new Central Library opening	\$1.9M
Annualized costs of new positions added in FY17 (66 Positions)	\$1.8M

Definitions:

COLA – Cost-of-living Adjustment

CPMF – Construction Project Management Fund

EDD – Economic Development Department

PFP – Pay for Performance

WCI – Workers Compensation Insurance

Projected General Fund Cost Drivers

FY 2018 Built-in Cost Escalators (Continued)

Item	Amount
Increase transfer to Liability Reserve Fund	\$1.4M
Sobriety Center (opening spring 2018)	\$1.2M
Onion Creek Fire Station partial year funding (June opening)	\$1.2M
Body Cameras for Austin Police Department	\$1.0M
Increase to replenish Economic Incentives Reserve Fund	\$0.9M
Implement 42-hour work week for Emergency Medical Services	\$0.6M
Increase transfer from \$500,000 to \$1.0M to Golf Fund	\$0.5M
Increased Fire terminal pay	\$0.4M
Longhorn Dam Maintenance and Operations	\$0.4M
Pool attendants to comply with State law	\$0.3M
CodeNext Phase IV (\$905K additional from reserve fund)	\$0.3M
Removal of General Fund one-time items	(\$4.5M)
<i>Total General Fund Increases</i>	<i>\$47.8M</i>

Austin Fire Department

Projected Increase in Sworn Overtime

- Four-person staffing and required back-fills drives overtime
- Overtime expenses rise rapidly as vacancies increase
- Average overtime rate = \$38 per hour; first year firefighter hourly rate = \$24 with salary and benefits
- Policy discussion topic – April 26

Sworn Operations	FY 2014	FY 2015	FY 2016	FY 2017
Overtime Budgeted [^]	\$5.6 million	\$6.2 million	\$6.2 million	\$13.6 million
Overtime Expense [^]	\$5.1 million	\$12.1 million	\$14.2 million	\$21.6 million*
Average Vacancies	67	115	106	158*
Under/(Over) Budget [#]	(\$89,000)	(\$2.4 million)	(\$3.6 million)	(\$3.5 million)*

[^] Combat Operations Division

[#] AFD Overall Department Appropriation

* Projected

Notable FY17 One-time Funding Items

General Fund

Initiative	Amount
AISD: Parent Support Specialists and Primetime	(\$2.2M)
Housing Trust Fund	(\$0.5M)
MEEEL Justice Center (<i>QoL</i>)	(\$0.3M)
SNAP Education and Outreach	(\$0.3M)
Youth Harvest Foundation (<i>QoL</i>)	(\$0.2M)
Affordable Housing Linkage Fee	(\$0.2M)
Tenant Relocation Funding	(\$0.2M)
Montopolis and Del Valle Community Health Assessment (<i>QoL</i>)	(\$0.1M)
Total	(\$4.0M)

QoL – Quality of Life Item

Notable FY17 One-time Funding Items

Budget Stabilization Reserve Fund

Initiative	Amount
Translation and Interpretation (QoL)	(\$0.3M)
Affordable Care Outreach (QoL)	(\$0.3M)
Mamis Ayudan, Teen Pregnancy Prevention, Con Mi Madre, Tejano Monument Anniversary Celebration, Las Comrades (QoL)	(\$0.2M)
Public Event Leader for the AARC Facility (QoL)	(\$0.1M)
Health Equity Service Contract with the Asian Family Support Services of Austin (QoL)	(\$0.1M)
AARC Facility Transportation (QoL)	(\$0.1M)
Greater Austin Asian Chamber of Commerce (QoL)	(\$0.1M)
Pilot Community Health Navigator (QoL)	(\$0.1M)
Total	(\$1.3M)

QoL – Quality of Life Item

Outstanding Council Policy Initiatives

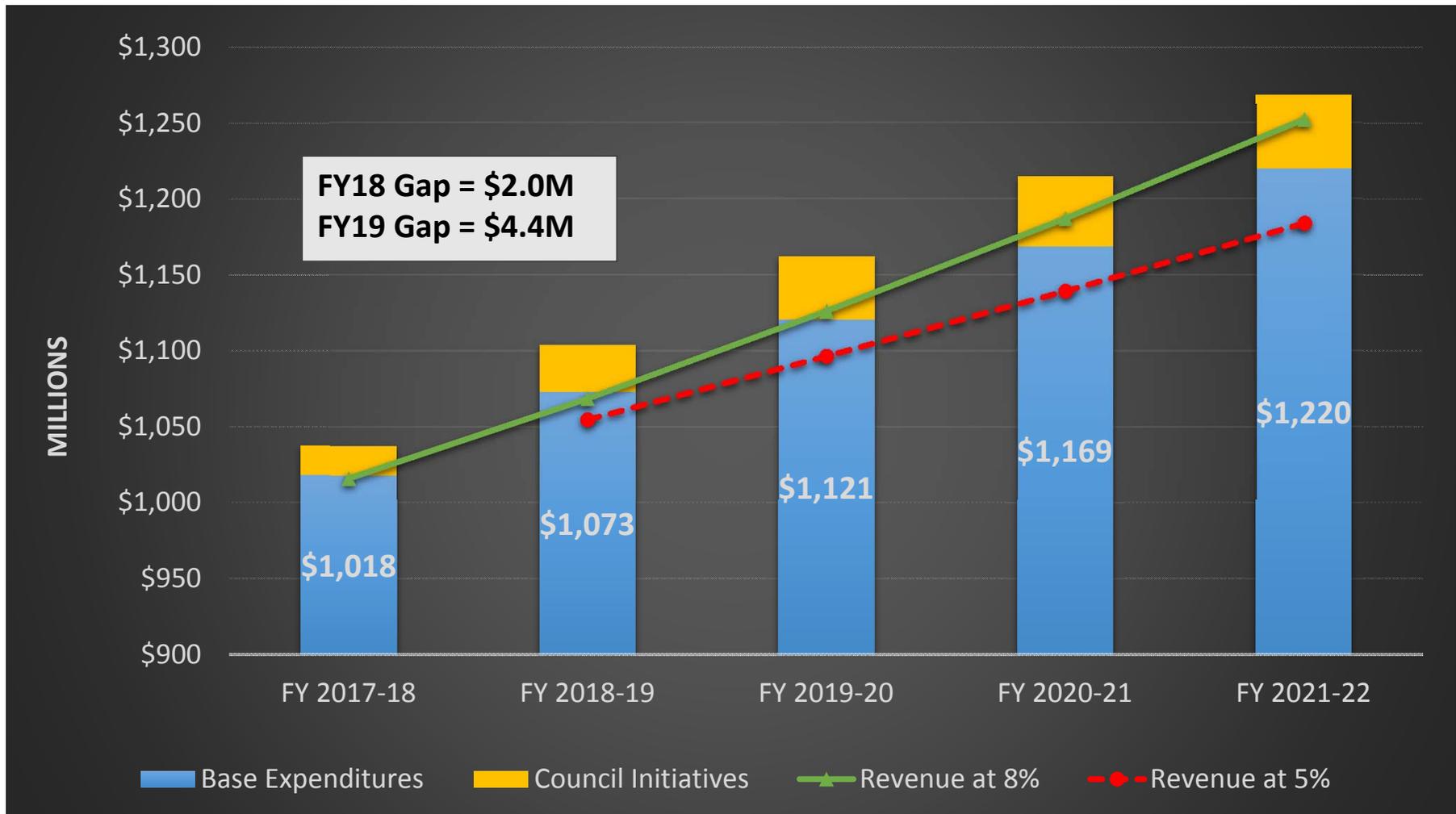
Estimated Incremental Operating Costs of Implementation

Council Initiatives	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Housing Trust Fund*	1,303,022	1,700,000	1,300,000	800,000	500,000
Austin Public Health and Social Service Contracts	7,380,126	5,833,594	5,833,594	0	0
5 New Fire Stations	0	1,500,000	0	1,500,000	0
Community Policing	9,934,481	1,862,285	2,428,387	2,140,346	1,971,655
12 Unfunded Officers	1,461,238	0	0	0	0
Living Wage	600,000	1,000,000	800,000	0	0
Total Council Initiatives	\$20,678,867	\$11,895,879	\$10,361,981	\$4,440,346	\$2,471,655

* Forecast is for existing properties only; does not include Bull Creek or other future properties that may become eligible.

Five-Year General Fund Outlook FY 2018-22

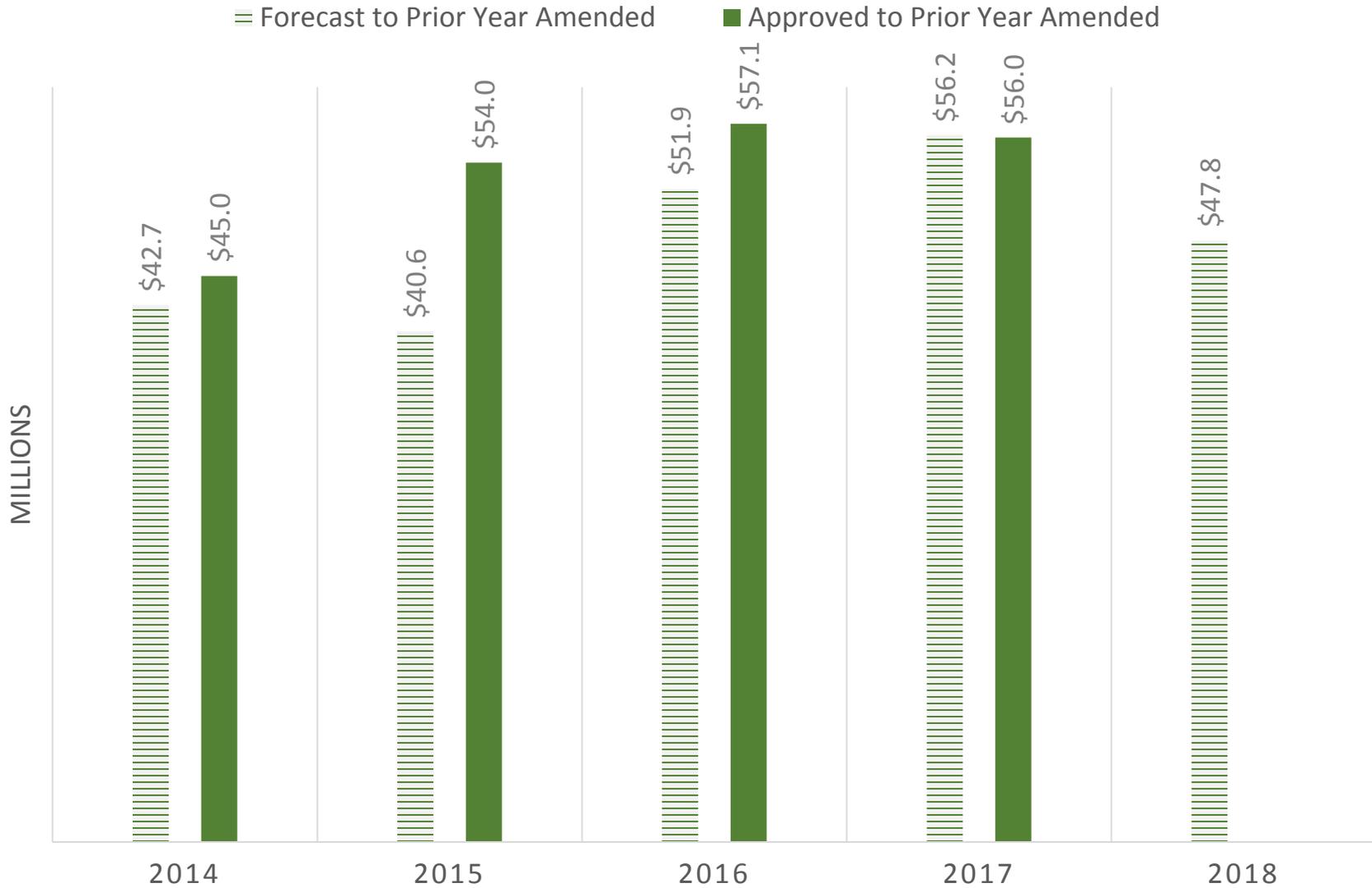
Projected Baseline Expenditures vs. Revenue



* Base expenditures do not include funding for new departmental requests such as additional officers, PARD staffing, and technology initiatives

Forecast vs. Approved Budget

General Fund History





Actions Already Taken to Improve Outlook

- No new funding requests for General Fund or support departments
 - Critical department needs to be met through the reprioritization of existing resources
- Mandated 1% year-end budget savings for all General Fund and support departments (Austin Fire Department excluded)
 - Will result in year-end savings of \$8.9 million and improved reserve levels

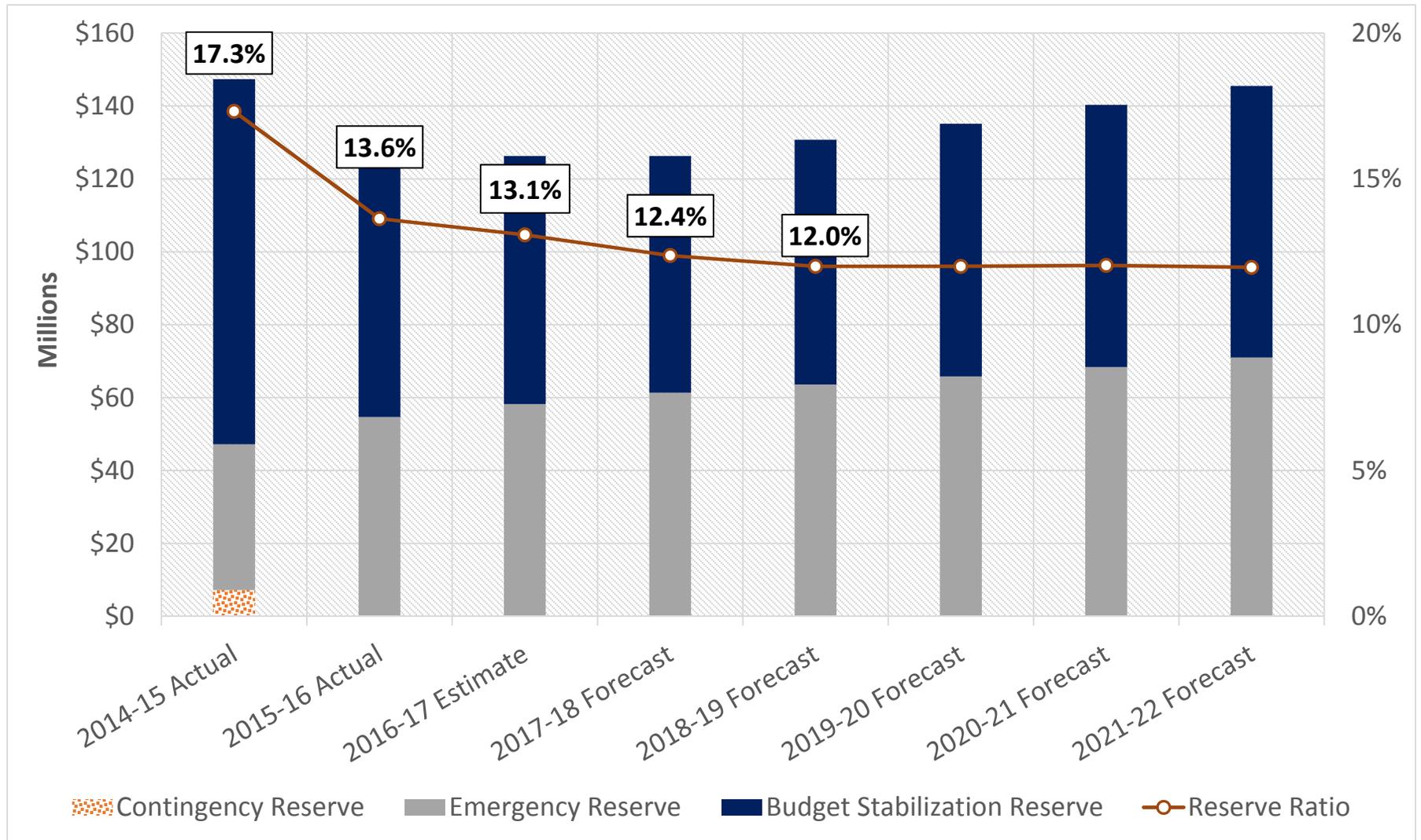
General Fund Reserves

FY 2018-22 Outlook

- Aggregate General Fund reserves projected to stay above 12% policy level BUT...
- Limited funding projected to be available from the Budget Stabilization Reserve (BSR) to meet one-time funding needs
- Use of debt will continue to be needed for vehicle acquisition and replacement
- Reserves should typically increase during times of economic expansion to provide resiliency during times of economic contraction

General Fund Reserves

Balance by Fund and as a Percent of General Fund Expenditures



Potential Legislative Risks

➤ Revenue caps

- Capping revenue at 4-5% as opposed to 8%
- \$13.8 million less at rollback rate in FY 2019; \$68.4 million less by FY 2022

➤ Sanctuary Cities – Reduction in grant funds

- FY 2017 State Grants: \$9.8 million
- FY 2017 Federal Grants: \$42.7 million

➤ Pension system funding levels

- Increase contributions or implement plan changes to achieve higher funded ratio

➤ Changes to debt issuance

- Limit certificates of obligation to declared disaster areas
- Funding non-voter approved debt through operating budget



Potential Policy Topics for Council Consideration

- 1) Sales tax growth estimate
- 2) Property tax rate and fees
- 3) Prioritization of Council initiatives
- 4) Support for increasing reserve levels to enhance budget "resiliency"
- 5) General homestead exemption
- 6) Senior/disabled exemption

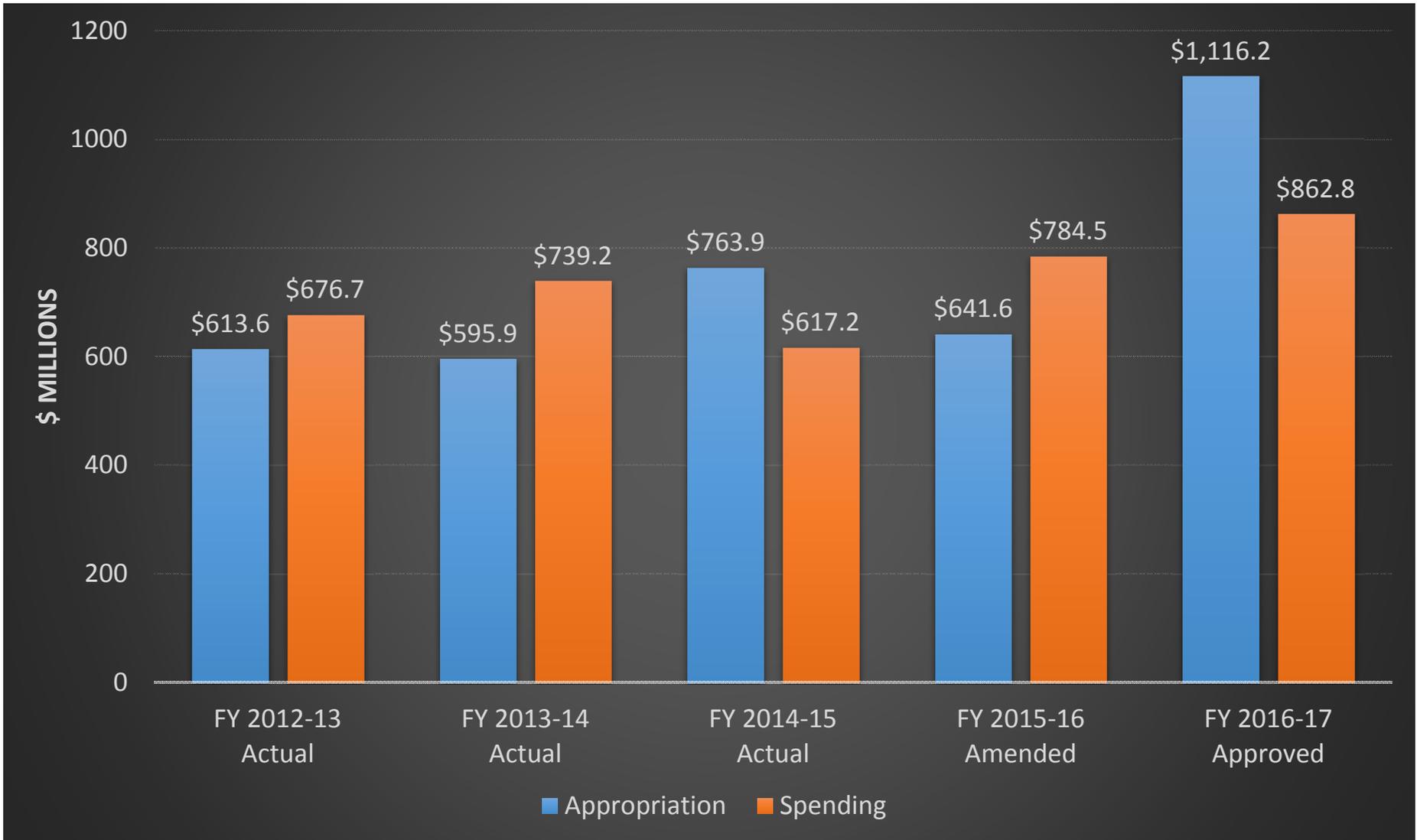
Capital Improvements Program Forecast and Highlights

City of Austin



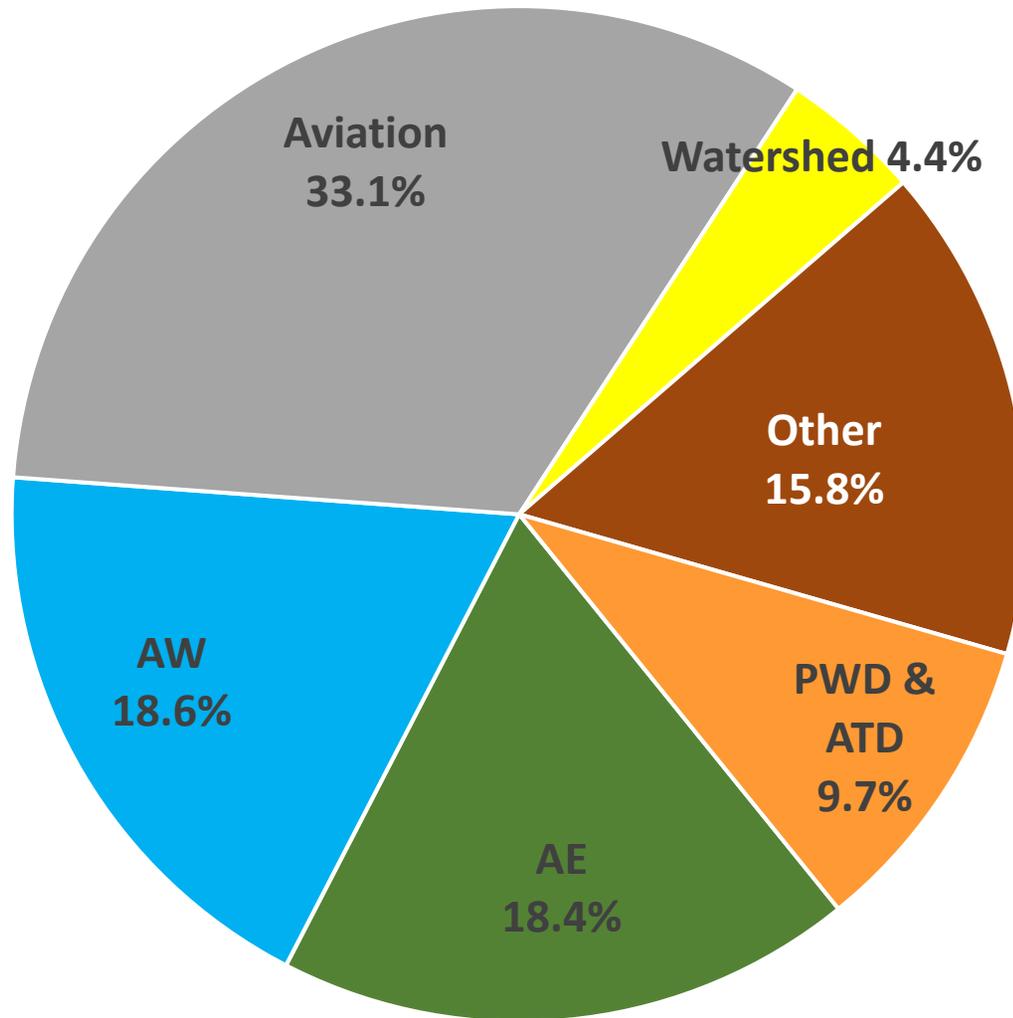
Capital Budget

Appropriations and Spending 5-Year History



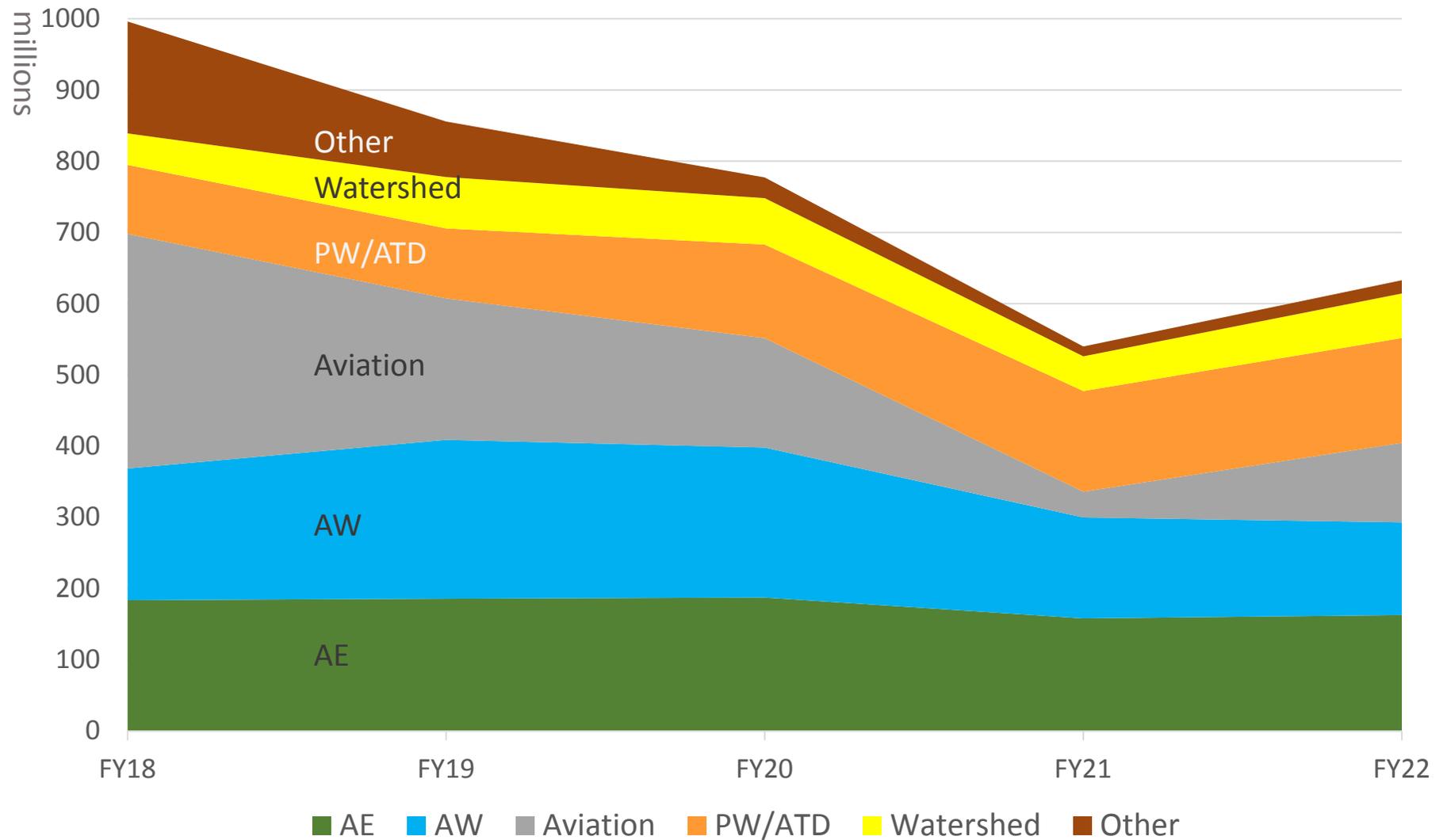
FY 2017-18 Projected Capital Spending Plan

\$996 Million



Spending Plan Forecast

FY 2018-2022





Airport Capital Program

➤ Terminal & Apron Expansion





Airport Capital Program

➤ Parking Garage & Administration Building



- Maintenance Facility
- Baggage Handling System
- Terminal Expansion (Gates 33-45)
- West Infill

Austin Water Capital Program

➤ Spending required to meet growth

- Service demands
- System reliability standards
- Regulatory requirements compliance
- Annexations
- Utility relocations due to street reconstruction



➤ Significant Projects

- South Austin Regional Wastewater Treatment Plant
- Davis Water Treatment Plant
- Parmer Lane and Williamson Creek wastewater interceptors
- Walnut Creek Wastewater Plant



Austin Energy Capital Program

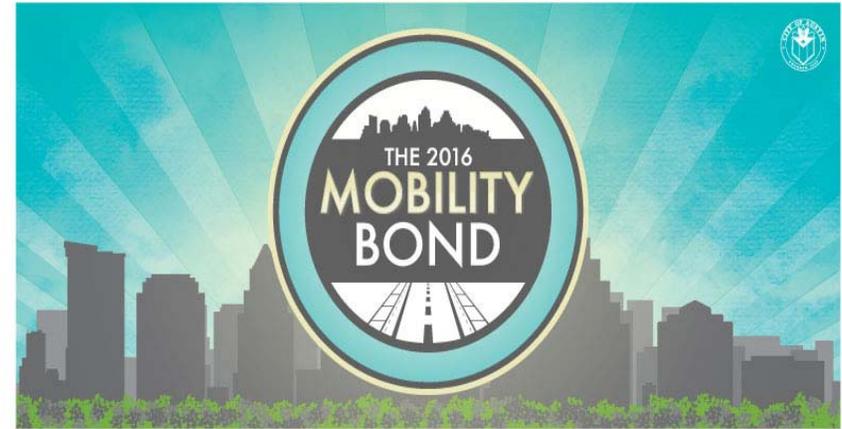
- Planned spending on routine infrastructure and maintenance projects, including:
 - Replacement of the Supervisory Control and Data Acquisition-Energy Management System (SCADA-EMS)
 - District Cooling Satellite Plant at Austin Community College Highland Campus
 - New Rainey Street and rebuilt Brackenridge substations



Select Project Highlights

Mobility

- 2016 Mobility Bond
 - Initial budget amendment approved December 2016 for \$28 million
 - 2nd budget amendment and staffing increase planned for May 2017
 - Further appropriation requests will be included in future budgets



*Total planned
spending through
FY 2022:
\$595 million*

Select Project Highlights

Safety

- Flood Buyouts
- Mounted Patrol Facility
- Onion Creek Fire Station



Select Project Highlights

Economic Opportunity and Affordability

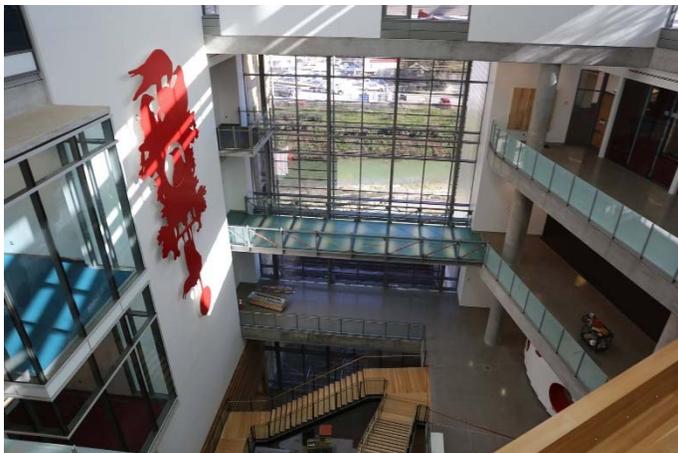
- Housing First Oak Springs
- RBJ Tower



Select Project Highlights

Cultural & Learning Opportunities

- **New Central Library**
 - Collections, technology, furniture installation prior to opening
- **Branch Library Improvements**
 - Remodels/upgrades to various facilities including Austin History Center



Select Project Highlights

Government that Works

- **Development Services Technology Upgrades**
 - Electronic Plan Review
 - Upgrading AMANDA

- **Building Services**
 - One Texas Center Chiller Replacement
 - Rosewood-Zaragosa Neighborhood Center



Enterprise Highlights

City of Austin



Major Enterprise Departments

Associated FY 2017-2018 Operating Budgets

Austin Code

FY17: \$20.0 million

FY18: \$24.7 million

Austin Convention Center

FY17: \$102.2 million

FY18: \$107.3 million

Austin Energy

FY17: \$1.3 billion

FY18: \$1.3 billion

Austin Resource Recovery

FY17: \$91.1 million

FY18: \$95.8 million

Austin Transportation

FY17: \$44.5 million

FY18: \$48.2 million

Austin Water

FY17: \$579.3 million

FY18: \$615.3 million

Aviation

FY17: \$146.3 million

FY18: \$158.5 million

Public Works

FY17: \$90.2 million

FY18: \$101.0 million

Watershed Protection

FY17: \$94.5 million

FY18: \$98.4 million

Enterprise Highlights

FY 2018 Base Cost Drivers

Enterprise operations experience many of the same year-over-year cost increases as General Fund departments:

- Employee Wages
- Health Insurance
- Workers' Compensation
- Shared Service Allocations
- Contractual and Commodity Costs
- Equipment Replacement
- Debt Service

Enterprise Forecast Highlights

- ✓ Continuation of Curbside Composting Program Rollout
- ✓ Austin Code Department Staffing
- ✓ Austin Water Cost of Service Update
- ✓ Austin Water 5-Year Staffing Plan
- ✓ Aviation Staffing to Keep Pace with Airport Growth and Facility Expansion
- ✓ Airport Ground Transportation Fees
- ✓ ERCOT Market Outlook and Impact on Austin Energy

Curbside Composting Program

Overview



- FY 2005 Council approves resolution in support of zero waste by 2040
- Goal of boosting a stagnant diversion rate and achieve goals established by the Council-adopted Zero Waste Plan
- Pilot program started January 2013
- Program expansion planned in FY 2017
- Program rollout completed by FY 2020

Curbside Composting Program

FY 2018 Incremental Costs



- Compost Processing and Fleet costs: \$640,000
- Advertising and Outreach: \$90,000
- 7 new positions + annualized costs: \$720,000
- Incremental Debt Service: \$550,000

Total: \$2.0 million

Major Fee/Rate Description	FY 2017 Rate		FY 2018 Projected Rate Increase		FY 2018 Projected Rate
Residential customer (Curbside Composting portion only) *	\$1.00	+	\$1.10	=	\$2.10

Curbside Composting Program Costs

Expense and Revenue Implications



<u>Incremental Program Requirements</u>						
Curbside Composting Program	FY17 Budget	FY18 Projected	FY19 Projected	FY20 Projected	FY21 Projected	Total
Operating Budget	\$1.3M	+\$1.4M	+\$1.3M	+\$1.0M	+\$0.1M	\$5.1M
Debt Service Payments	\$0.0M	+\$0.6M	+\$1.0M	+\$0.6M	+\$0.3M	\$2.4M*
Staffing	+12 FTEs	+7 FTEs	+6 FTEs	+3 FTEs	0 FTEs	28FTEs
Curbside Composting Rate Impact	\$1.00	+\$1.10	+\$1.15	+\$0.65	\$0	\$3.90

*Debt service payments continue through FY 2028

- Total program cost including FY16 Purchases and interest from debt service payments: **\$22.4 million**
- Total rate increases related to curbside composting: **\$3.90 by 2020**

Austin Code

Near Term Staffing Challenges

Staffing enhancements will be needed to keep pace with growing service demands and Council expectations

- Short Term Rentals
- Repeat Offender Program
- Rooming & Boarding Houses
- Extended Enforcement Hours
- Code Education
- City Owned Properties

FY 2018: 20-25 positions

Major Fee/Rate Description	FY 2017 Rate	FY 2018 Projected Rate Increase	FY 2018 Projected Rate
Clean Community Fee – Residential/Commercial	\$3.35	\$0.70	\$4.05

Austin Water

Cost of Service Study Update



➤ Public Involvement

➤ Next Steps/Implementation Timeline

- Impartial Hearings Examiner (IHE) review of Cost of Service recommendations next step in process
- Council review/approval of IHE related transactions in June 2018
- Implementation of Council approved Cost of Service and IHE recommendations in FY 2019
- FY 2018 Changes
 - Implementation of Community Benefit Charge for Customer Assistance Program
 - Enhance CAP program by adding wastewater volume (this will pair with approach on the water side)

Austin Water

5-Year Staffing Plan



- Additional staffing projected over 5-year horizon to keep pace with growing system demands
 - Operations and maintenance activities at pump stations and reservoirs
 - Engineering services
 - Pipeline management
 - Administrative support functions

FY 2018-22: Projected 15-25 Positions Annually



Aviation Department Staffing

New staff necessary to support ABIA's continuing growth in facilities and passenger traffic.

- Facilities Management
- Operations and Security
- Ground Transportation
- Support Functions

FY 2018: 25-30 positions

Aviation

Ground Transportation Fees



Austin-Bergstrom
International Airport

- Responsible to City and FAA to earn sufficient revenue to pay expenses and retire debt
- Current rate structure dates to 1980's
- Current annual costs exceed \$3M and revenue is less than \$1M
- Proposed fee structure based on cost recovery model common in airport industry
- Proposed fee changes to begin in FY18

Austin Energy



Texas Energy Market – Electric Reliability Council of Texas (ERCOT)

- ERCOT power market prices remain historically low
 - This means lower prices for power purchased to meet load requirements BUT...
 - Little to no profit for power generated and sold
- No significant changes to power market expected in the near term
- Credit agencies report a weakening power industry in Texas with downgrades and outlook revisions
 - Cash reserves and coverage ratios remain key to financial health
- Risk from legislative and environmental regulation remains uncertain

FY 2018 Major Rates and Fees

	2017 Monthly Rate	2018 Projected Rate	Monthly Dollar Change	Typical rate payer defined as:
Austin Energy	\$88.81	\$89.15	\$0.34	<i>Residential customer usage of 895 Kwh</i>
Austin Water	\$83.19	\$83.19	\$0.00	<i>Residential customer usage of 5,800 gallons of water and 4,000 gallons of wastewater</i>
Austin Resource Recovery	\$24.30	\$25.40	\$1.10	<i>Residential customer with a 64-gallon cart</i>
Clean Community Fee	\$8.05	\$8.75	\$0.70	<i>Per single-family home</i>
Transportation User Fee	\$11.52	\$11.52	\$0.00	<i>Per single-family home</i>
Drainage Utility Fee	\$11.80	\$11.80	\$0.00	<i>Residential customer with 3,100 sq. ft./37% of impervious cover</i>
Property Tax Bill	\$94.41	\$99.61	\$5.20	<i>Projected FY18 median non-senior homestead taxable value of \$269,264</i>
Total	\$322.08	\$329.42	\$7.34	<i>Combined increase of 2.3%</i>

Major Rates and Fees Forecast

Five-Year Rates, Fees, and Tax Forecast Change*

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	5-Year Total
Austin Energy	\$0.34	\$2.11	\$0.44	\$1.90	\$0.25	\$5.04
Austin Water	\$0.00	\$1.00	\$0.00	\$1.60	\$0.00	\$2.60
Austin Resource Recovery	\$1.10	\$1.80	\$1.30	\$1.00	\$1.00	\$6.20
Clean Community Fee	\$0.70	\$0.30	\$0.25	\$0.10	\$0.05	\$1.40
Transportation User Fee	\$0.00	\$1.30	\$0.52	\$0.52	\$0.44	\$2.78
Drainage Fee	\$0.00	\$0.95	\$0.42	\$0.23	\$0.24	\$1.84
Property Tax	\$5.20	\$6.13	\$3.41	\$2.84	\$2.91	\$20.49
TOTAL	\$7.34	\$13.59	\$6.34	\$8.19	\$4.89	\$40.35

* All numbers represent projected incremental changes to monthly rate, fee, or tax

Policy Discussion Topics

City of Austin



Policy Work Session Calendar

April 26th

Public Safety

- ❖ 4-person staffing
- ❖ Third service EMS provider versus consolidated EMS/AFD service delivery model
- ❖ AFD/EMS wellness center
- ❖ Level of EMS cost recovery

Other

- ❖ Special event fee waivers
- ❖ Enterprise transfers

May 3rd

Community Services

- ❖ Golf Fund support
- ❖ Cemetery Fund support

Other

- ❖ Employee pay and benefits
- ❖ Police compensation and staffing
- ❖ AISD Tax Swap

Questions / Comments



*For more information,
please visit:*

